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Does Television Viewing Influence Store Image and Shopping Frequency?

A RESEARCH STUDY IN THE MID-WEST

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A recent survey explored the relation of store "image" to frequency of shopping. The results secured are provocative: favorableness of image and frequency of shopping apparently are associated. Moreover, the data suggest that television advertising which is item in nature can influence image and frequency of shopping. The stores studied vary widely in character and are situated in a rather competitive market. Store images, of course, can be expected to vary from market to market, as they apparently do within the same market. The possible role of other advertising media in relation to image was not investigated in this study.

"Image" frequently enters into discussions of brand, store, corporation—various organizations and institutions. In the field of business, image appears particularly significant because as different brands of products and services become increasingly alike, image is considered more and more vital in determining *what* people will buy and *where* they will buy it.

The present study was undertaken to see whether image could be "meas-

* The bureau's members are the nation's television networks, leading individual television stations, and station representatives. A film report on the study, *Image Through Items*, is available from the bureau.

ured"; to determine the relation between image and what people did, in this case, frequency of shopping and purchase; and to explore the role of television advertising as it affects image.

The retail institution, the department store, was the object of study. "Image" was taken as the "personality" the store presents to the public: a complex of meanings and relationships serving to characterize the store for people.

Study Design

Three areas were taken to reflect image, and data were secured by personal at-home interviewing. One area was the kind of persons the public identified with the store as shoppers. Was it a store for everybody? For rich people? For people with children? Such information was obtained by asking the respondent, "What kind of persons shop at (name of store)? How would you describe them? What would they be like?" Respondents were free to answer any way they chose.

A second area had to do with the type of merchandise or goods the public associated with the store. Was it dresses? Furniture? Electric appliances? Insights in this area were secured by asking the respondents: "What would you most likely be buying?" or "What particular items would you be buying?" Such questions came after the respondent had described the kind of persons shopping in the store.

Finally, each home respondent evaluated the store in terms of a number of qualities found in department-store studies to be important to shoppers. These qualities were set up as pairs of opposites; for example, "modern . . . old-fashioned." The person interviewed evaluated the store with respect to this quality by checking the one box of a row of seven that best expressed his personal attitude [1]—

not one
not the other
|
modern ( )..( )..( )..( )..( )..( )..( ) old-fashioned

There were eighteen such pairs of qualities.[2] They centered about merchandise, store service, the store as an institution, and more nearly personal reponses.

Information was secured also on: (1) store shopping and purchase; (2) the viewing of selected television

Wide selection of merchandise . . . little selection
High quality . . . quality incidental
Unusual values at sales . . . a few good values but mostly junk

High styled . . . practical
High priced . . . budget priced

Service

Helpful service . . . indifferent to customers
Nice to deal with (credit and exchanges) . . . hard to deal with
For busy people . . . for people with lots of time
No parking or transportation problems . . . parking or transportation problems

Institutional

Reliable . . . less well established
Modern . . . old-fashioned
Active in community life . . . inactive

Personal

Friendly . . . formal
Make you feel at home . . . make you feel stiff
Inviting . . . cold
Exciting . . . dull

Likely to meet friends . . . unlikely
My kind of store . . . not my kind of store

Members of pairs were reversed to reduce position effects. Several different orders were used for individual pairs to reduce serial effects.

[1] The method resembles the "semantic differential," but utilizes attributes oriented to the department-store relationship.

[2] Merchandise

programs and television advertising; (3) household and personal characteristics of the persons interviewed.

The locale for the study was metropolitan Minneapolis-St. Paul, a highly competitive market, where a variety of department stores might be expected to furnish definite contrasts in store image and shopping behavior. The Mississippi River separates the market into two "natural" subdivisions, contributing to differences in shopping habits and possibly also in image. Five stores were studied. One was using television advertising on a consistent, regular basis.

The stores included:

The Dayton Store. The largest store in the entire area. Located in Minneapolis.

Allied Stores. Represented by Donaldson in Minneapolis and Golden Rule in St. Paul. Minneapolis residents were questioned on Donaldson; St. Paul residents on the Golden Rule.

Montgomery Ward. A very large retail operation located in St. Paul. Uses television consistently as part of its advertising program, predominantly for *item promotion.*[3]

Sears Roebuck. A large retail operation. Located in Minneapolis.

The Dayton and Allied stores represent the more traditional department store; the Montgomery Ward and Sears Roebuck stores also are completely integrated stores.

Respondents were interviewed about each of the four stores separately. The role of television for Montgomery Ward was traced by comparing response patterns of viewers and non-viewers of the Montgomery Ward television advertising.

Interviewing was conducted during October 1959, in a representative cross section of households, selected on the basis of an area probability sample of cluster design. A total of 1,021 heads of households were interviewed. Of these, 70 per cent were women in order to more nearly reflect the woman's role in department-store shopping.[4]

The results are presented in summary.

General Shopping Behavior

The results show that most people shopped in at least one of the stores studied during the preceding month. Practically everybody had shopped there during the past six months. Moreover, a large number shopped in three or more of the four stores in the six-month period; relatively few shopped in only one of the stores. Most of the shoppers of any one store also shopped at other stores. For example, during the preceding six-month period nine out of ten Dayton shoppers also shopped at an Allied store, Sears Roebuck, Montgomery Ward, and combinations. However, people did not shop equally often at each store. It may be twice as long since people shopped at one store (e.g. Allied) as at another (Dayton). And finally, five sixths or more of persons who described themselves as having shopped at individual stores during the past month, also reported purchase. These results appear in Tables I through IV.

[3] See footnote 10.

[4] The study was conducted by Pulse, Inc., an independent research organization, under the writer's direct supervision.

TABLE I

Where People Shopped: During Past Month and Past Six Months

Store	Minneapolis: One Month	Minneapolis: Six Months	St. Paul: One Month	St. Paul: Six Months	Total: One Month	Total: Six Months
	Per Cent of Respondents According to Place of Residence					
Montgomery Ward	10.5	24.6	47.3	68.6	24.8	41.6
Sears Roebuck	33.2	58.5	9.6	19.2	24.1	43.3
Dayton	51.9	72.0	45.1	65.1	49.3	69.3
Allied Stores *	43.5	67.4	44.8	67.6	44.0	67.5
Any of These	80.4	95.0	76.5	93.4	78.8	94.4
Number Respondents	626	626	395	395	1,021	1,021

* Donaldson for Minneapolis residents; Golden Rule for St. Paul.

TABLE II

Number of Stores in Which People Shopped During Past Six Months

Number of Stores	Minneapolis Residents	St. Paul Residents	Total Residents
	Per Cent of Respondents According to Place of Residence		
None	5.0	6.6	5.6
One only	17.1	18.2	17.5
Two	37.3	32.9	35.7
Three	31.3	32.7	31.8
Four	9.3	9.6	9.4
Number Respondents	(626)	(395)	(1,021)
Average: Number Stores Shopped	(2.2)	(2.2)	(2.2)

TABLE III

Frequency of Shopping: Median Months Since Last Time Shopped

Store	Minneapolis: All People	Minneapolis: Shoppers Only	St. Paul: All People	St. Paul: Shoppers Only	Total: All People	Total: Shoppers Only
	Per Cent of Respondents According to Place of Residence					
Montgomery Ward	31.5	12.0	1.7	1.2	12.0	6.2
Sears Roebuck	4.3	3.6	98.6	12.0	11.2	5.2
Dayton	1.0	0.9	2.3	1.0	1.2	1.0
Allied Stores *	2.4	2.0	2.2	1.1	2.3	1.8
Number Respondents	(626)	†	(395)	†	(1,021)	†

* Donaldson for Minneapolis residents; Golden Rule for St. Paul.

† N Varies by store-

	Ward	Sears	Dayton	Allied
Minneapolis	473	583	606	605
St. Paul	380	234	352	371
Total	853	817	958	976

TABLE IV

*Combinations of Stores in Which People Shopped * During Past Six Months*

Names of Stores	*Per Cent of Respondents According to Place of Residence*		
	Minneapolis Residents	*St. Paul Residents*	*Total Residents*
Dayton only	6.3	4.3	5.4
Dayton + Ward	1.3	7.8	3.8
Dayton + Sears	6.7	1.8	4.8
Dayton + Allied	20.3	10.4	16.6
Dayton + Ward + Sears	2.2	3.0	2.5
Dayton + Ward + Allied	3.2	27.7	12.6
Dayton + Sears + Allied	22.7	0.5	14.2
Dayton + Ward + Sears + Allied	9.3	9.6	9.4
Total Dayton	72.0	65.1	69.3
Number Respondents	(626)	(395)	(1,021)

* Dayton store shoppers given as illustration.

From the results it is evident that the department-store market is a fluid and dynamic one. Stores share customers with other stores: most of the shoppers of any one store also shop at other stores. The activities of any one store, thus, can affect how people will relate themselves to other stores. It is apparent, too, that there are differences in general shopping behavior with respect to the individual stores.

Public Image of Stores [5]

People tend to perceive the stores as "different." They seem to mean that distinctly different types of people shop there.[6] (*See* Table V.)

Dayton generally offers the broadest "spectrum." Respondents seemed to feel that nearly everybody shops there. There are significant proportions of "good dressers," "middle income people," and "working class," as well as people in the categories known as "upper class," "anybody," "no particular type." [7]

Allied shoppers are pictured more frequently as "average" or "middle class." A good proportion of respondents also speak of *"anybody"/no particular type,"* and *"working class."*

Montgomery Ward and Sears Roebuck are described more as "average," "middle class," "farmers," and "working class." "People with children" are said to shop fairly frequently at both Montgomery Ward and Sears Roebuck but rarely at Dayton and Allied stores.

Merchandise Associations

The stores are different also from the standpoint of the kind of goods or

[5] Except where otherwise indicated, results presented are the responses to the "home" store: Minneapolis residents—to Dayton, Sears Roebuck, and Donaldson; St. Paul residents—to Golden Rule and Montgomery Ward. Residents of the same area have greater opportunity of knowing the store from personal contact. The store image, therefore, should be more definite.

[6] Store images vary to some degree, of course, in different parts of the country.

[7] It is of interest here that St. Paul residents (the Dayton store is in Minneapolis) tend to think of Dayton shoppers primarily as *good dressers* and *upper class/rich.*

TABLE V

Image of Store: Kind of People Considered to Shop at Each Store

Characteristics	*Residents of "Home Market": Per Cent of Respondents*				
	Ward	*Sears*	*Dayton*	*Donaldson*	*Golden Rule*
Anybody/No Particular Type	20.0	11.5	32.1	18.8	13.4
Average/Common	13.9	19.6	5.1	17.4	27.3
Low Class/Low Income	9.4	12.0	0.2	1.4	2.0
Middle Class/Middle Income	15.9	14.4	14.1	23.2	25.0
Upper Class/Rich	—	—	27.5	7.0	1.8
Laborers	0.8	2.6	0.5	0.3	0.3
Farmers	14.2	11.3	—	0.6	—
Working Class	7.9	3.2	11.5	15.2	6.6
Practical/Thrifty	1.5	3.4	0.2	0.8	—
Budget Conscious	6.3	5.6	1.0	3.2	2.8
Bargain Hunters	11.9	8.5	1.9	7.5	7.8
From the City	0.3	—	1.1	0.8	0.5
Country/Small Towns	4.3	4.6	0.2	0.3	0.5
Out of Town Residents	3.8	5.1	1.0	0.3	0.3
Male	1.5	2.4	—	—	0.3
Female	1.3	2.4	13.3	15.3	12.2
People with Children	10.6	19.3	1.4	4.5	3.5
Good Dressers	0.8	1.0	15.2	5.9	5.6
Poor Dressers	8.6	1.4	—	1.1	2.8
Same as					
Sears Roebuck	2.0	—	—	0.3	0.5
Montgomery Ward	—	16.1	—	0.2	0.5
Mail Order	7.6	3.2	0.3	—	—
Do Not Know	5.3	4.3	1.6	3.0	10.1
Miscellaneous	11.4	11.5	11.1	21.5	29.3
Total Responses	159.3	163.1	139.3	148.6	153.1
Number Respondents	(395)	(626)	(626)	(626)	(395)

merchandise the public associates with each store (*see* Table VI). The Dayton and Allied stores show a similar pattern; Montgomery Ward and Sears Roebuck resemble each other, but differ from the first group.

Clothing is by far the type of merchandise most frequently associated with every store. This response tends to be more frequent for Dayton and Allied, however. *Home furnishings* and *housewares* follow in importance for these two stores.

Evaluation of Store Qualities

Differences appear also in the way people evaluate each store on the scales of store qualities. Profiles, in terms of average rating for each store on each scale, are shown in Chart 1.

TABLE VI

Image of Store: Kind of Purchases Associated with Each Store

Kind of Purchases	*Residents of "Home Market" Per Cent of Respondents*				
	Ward	*Sears*	*Dayton*	*Donaldson*	*Golden Rule*
Clothing	59.0	69.9	91.8	88.0	82.2
Home Furnishings	25.1	35.6	49.7	42.3	35.9
Housewares	8.9	13.4	20.9	19.8	16.4
Electric Appliances	22.0	45.7	19.0	14.4	11.7
Paints and Hardware	32.4	36.7	0.6	1.3	1.4
Automobile Parts	17.2	12.6	0.5	0.2	0.3
Machinery	7.1	7.5	—	2.7	—
Notions	0.5	0.3	5.4	5.0	1.7
Cosmetics	—	0.3	4.6	8.1	3.1
Gifts	0.5	—	0.8	1.1	2.2
Jewelry	—	0.5	4.0	4.2	2.0
Nothing in Particular	7.8	4.2	2.9	3.1	15.6
Everything	4.8	3.2	3.5	3.4	3.6
Miscellaneous	23.8	19.3	9.1	11.0	12.8
Total Responses	236.7	298.9	262.5	252.6	187.6
Number Respondents	(626)	(626)	(626)	(626)	(626)

Stores tend to vary in ratings more with respect to some store qualities than others. For example, stores cluster very closely in regard to *friendly . . . formal.* On the other hand, there appear to be broad differences among stores on *price* and *styling.* Respondents place Montgomery Ward and Sears Roebuck on the practical side of *style* and on the budget side of *price.* If the term listed at the left of each scale in the chart (with the exception of price and styling [8]) is considered the favorable (desirable) direction for each scale, the public generally tends to rate Dayton more favorably than it does any of the other stores. Montgomery Ward and Sears Roebuck are apt to be lower, although still on the favorable side, while the two Allied stores take an intermediate position.

[8] Store objectives vary with respect to price and style, and a scale direction desirable to one store could be considered undesirable by another store.

The meanings that respondents take from store qualities (scales) may overlap; correlational analysis may reveal "families" or clusters of qualities.

Meaningfulness of Differences

Many observations can be made that "explain" differences among stores found in the results. For example, the broad appeal of Dayton indicated by the kind of shoppers the public associates with the store also is indicated by the personal and household characteristics of Dayton shoppers. Or again, the relatively higher proportion of respondents who spontaneously associate *cosmetics* with Donaldson and *appliances* with Sears, apparently are reflections of market situations. The results with individual scales also "make sense." Scale values for *parking* and *transportation problems* seem to parallel the physical facilities of the respec-

TABLE VII

Relation of Store Quality Ratings to Frequency of Shopping *

(*Scale: +3.00 to −3.00*)

Store	*Residents of*	*Type of Shopper*			
		Frequent	*Occasional*	*Rare*	*Never*
Ward	Minneapolis	1.51	1.37	1.02	0.30
	St. Paul	1.23	1.12	0.76	0.28
Sears	Minneapolis	1.46	1.29	0.93	0.26
	St. Paul	1.52	1.39	0.89	0.29
Dayton	Minneapolis	1.95	1.73	1.38	0.94
	St. Paul	1.78	1.47	0.92	0.22
Allied	Minneapolis †	1.57	1.28	1.04	0.63
	St. Paul ‡	1.51	1.07	0.75	0.17

* Average of all ratings except on *price* and *style*, on the part of shoppers of each store separately as classified into frequency groups. The number of respondents varies by store.

		Number of Respondents			
		Frequent	*Occasional*	*Rare*	*Never*
Ward	Minneapolis	66	88	319	153
	St. Paul	187	84	109	15
Sears	Minneapolis	208	158	217	43
	St. Paul	38	38	158	161
Dayton	Minneapolis	325	126	155	20
	St. Paul	178	79	95	43
Allied	Minneapolis	272	150	183	21
	St. Paul	177	90	104	24

† Donaldson.
‡ Golden Rule.

tive stores. Local retailers who have seen the results generally have found them quite "sensible." Apparently, the instruments used in the study for the most part are sensitive.

Relation to Frequency of Shopping

However, are the expressions of image as indicated by the results, meaningful from the point of view of practical store operation? Is more favorable image related to more frequent shopping at the store?

Of the differences found in the way people view individual stores, the ratings for individual store qualities represent the most highly quantitized measures. Moreover, they cover areas considered quite significant for store operation.

Table VII shows levels of ratings, this time on the part of *store shoppers,* in relation to four degrees of frequency of shopping, separately for each store according to residence of the shopper.[9]

[9] Combined averages of ratings for all scales, except for styling and price, were computed separately for each degree of shopping. Definition of frequency groups: *frequent shoppers*—shopped at given store one month ago or less; *occasional shoppers*—last shopped more than a month ago up to six months; *rare shoppers*—last shopped more than six months ago; *never shoppers*—respondents who do not recall ever shopping at a given store.

This analysis shows that the combined average rating is higher (more favorable) for *frequent shoppers* than for *occasional shoppers,* for *occasional shoppers* than for *rare shoppers,* and for *rare shoppers* than for *never shoppers.* These relationships apparently hold irrespective of the individual store or the residence of the shopper. In other words, average rating (favorableness of image) appears closely associated with frequency of shopping. Since a heavy majority of shoppers report purchase, there is therefore a relation between image and purchase.

Significance of Individual Store Qualities (Scales)

Not all store qualities are necessarily of equivalent importance to frequency of shopping. One scale may be more closely associated with frequency than another. Accordingly, certain criteria were set up as the basis for assigning scales to three groups of degree of importance. A scale was considered closely associated with frequency of shopping if there was consistency of direction of differences in average ratings among frequency groups (*i.e.,* frequent *vs.* occasional *vs.* rare *vs.* never shoppers)—irrespective of store shopped or residence of the shopper. A sign test was used to test consistency of direction of difference. Scales meeting this test of significance were assigned to one of two groups, according to the magnitude of the average difference among frequency groups. The third group ("C") included the remaining scales. These were considered least closely associated with frequency of shopping. Assignments of individual scales are shown in Figure 1.

The analysis suggests that as a group, the more nearly *personal* qualities seem most closely associated with frequency of shopping. The *service* group seems next most important. It is interesting that being considered "modern," "active in community life," "good for values," etc., appear less closely associated with frequency of shopping than do many other store qualities. Correlational analyses may define the relationships more sharply and illuminate them further.

Role of Television Advertising

It will be recalled that one store (Montgomery Ward) had been using television systematically as part of its advertising.[10] It thus was possible to explore the role of television by comparing the responses of viewers with nonviewers. Viewers were defined as respondents who reported seeing Montgomery Ward television advertising once or more during the preceding month, and viewing four or more programs during the same period.[11] Nonviewers were respondents who gave no indication of ever viewing either the programs or television advertising.

Generally, the comparisons of viewer /nonviewer responses indicate definite

[10] A fifteen-minute segment of a five-times-a-week, half-hour program—every Thursday, and a ten-minute, sports-news program on Sunday evenings. This schedule was augmented by a varying number of announcements. The television advertising represented roughly one seventh of the store's total advertising budget.

[11] No differentiation was made between the two programs when applying the viewing criterion. Accordingly, it is possible that a respondent could meet the program requirements of the criterion by viewing segments of the afternoon program which were not sponsored by Montgomery Ward.

FIGURE 1

Relative Importance of Individual Store Qualities to Frequency of Shopping

Store Attributes	*All Stores Importance* *
Merchandise	
Wide selection of mechandise . . . little selection	B
High quality . . . quality incidental	C
Unusual values at sales . . . a few good values but mostly junk	B
High styled . . . practical	C
High priced . . . budget priced	C
Service	
Helpful service . . . indifferent to customers	B
Nice to deal with (credit and exchanges) . . . hard to deal with credit and exchanges)	B
For busy people . . . for people with lots of time	B
No parking or transportation problems . . . parking or transportation problems	B
Institutional	
Reliable . . . less well-established	B
Modern . . . old-fashioned	C
Active in community life . . . inactive	C
Personal	
Friendly . . . formal	B
Make you feel at home . . . you feel stiff	A
Inviting . . . cold	A
Exciting . . . dull	B
Likely to meet friends . . . unlikely	A
My kind of store . . . not my kind	A

* A Attributes closely associated with frequency of shopping.
B Associated but less so.
C Associated at lower level.

(Preliminary analysis.)

effects associated with exposure to television.

Viewers residing in St. Paul (the "home" market) are more apt to describe Montgomery Ward shoppers as *anybody/no particular type, middle class/middle income,* and *people with children* than is the case with nonviewers. (*See* Table VIII.) Viewers also associate *clothing, home furnishings,* and *housewares* more often with Montgomery Ward, thus making the Montgomery Ward profile more nearly like that of the more traditional kind of department store (*see* Table IX).

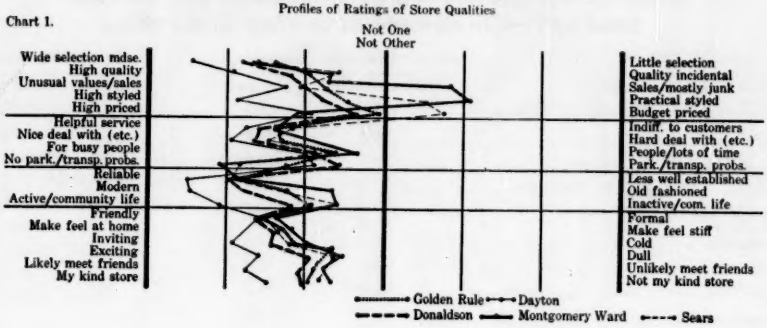
Differences found in comparing characteristics ascribed to Montgomery Ward shoppers by Minneapolis viewers and nonviewers parallel the results with St. Paul residents in some ways and not in others. Minneapolis viewers associate *clothing* much more frequently with Montgomery Ward than do nonviewers, but other differences are minimal. Fewer *do not know* responses are given by viewers in all instances.

However, comparison of viewer/nonviewer profiles of store-quality ratings show a general shift in the direction of more favorable image of Montgomery Ward, for both Min-

Relation of Store Image to TV Viewing Charts One, Two, and Three

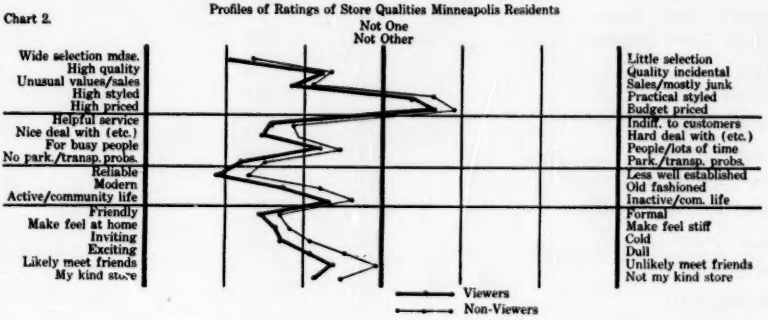
STORE IMAGE: GENERAL PUBLIC
Profiles of Ratings of Store Qualities

Chart 1.



MONTGOMERY WARD IMAGE: VIEWERS/NON-VIEWERS
Profiles of Ratings of Store Qualities Minneapolis Residents

Chart 2.



MONTGOMERY WARD IMAGE: VIEWERS/NON-VIEWERS
Profiles of Ratings of Store Qualities St. Paul Residents

Chart 3.

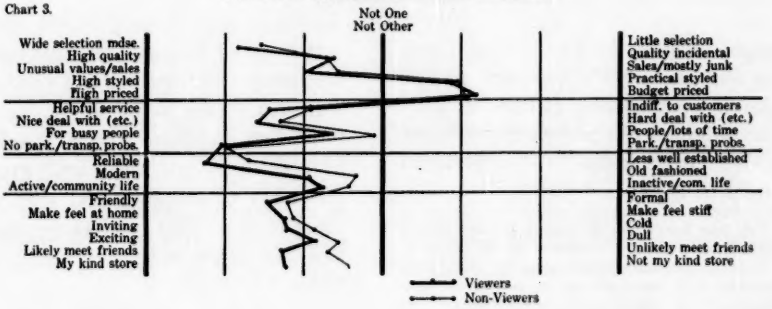


TABLE VIII

Image of Montgomery Ward: Nonviewers and Viewers * Kind of People Considered to Shop at the Store

Characteristics	Minneapolis Residents		St. Paul Residents	
	Nonviewer	*Viewer*	*Nonviewer*	*Viewer*
Anybody/No Particular Type	13.7	3.5	20.1	28.1
Average/Common	10.6	22.7	15.1	17.5
Low Class/Low Income	9.1	14.2	8.5	5.3
Middle Class/Middle Income	13.3	13.5	12.1	24.6
Upper Class/Rich	0.4	0.0	0.0	0.0
Laborers	1.1	2.8	1.0	0.0
Farmers	14.1	18.5	14.1	17.5
Working Class	21.6	16.3	6.0	10.5
Practical/Thrifty	1.5	2.8	1.5	3.5
Budget Conscious	7.6	5.0	4.0	7.0
Bargain Hunters	9.5	9.9	10.1	12.3
From the City	0.8	0.0	0.5	0.0
Country/Small Towns	7.6	7.8	3.5	3.5
Out of Town Residents	10.3	10.6	4.0	3.5
Male	1.5	1.4	1.5	0.0
Female	1.1	0.7	1.0	0.0
People with Children	10.6	14.2	11.6	19.3
Good Dressers	0.4	0.0	0.5	0.0
Poor Dressers	2.3	2.1	7.5	5.3
Same as Sears Roebuck	4.6	5.7	3.0	0.0
Mail Order	4.2	5.0	7.0	8.8
Do Not Know	11.0	7.1	7.0	0.0
Miscellaneous	11.8	12.0	10.0	12.3
Total Responses †	168.7	175.8	149.6	179.0
Number Respondents	(263)	(141)	(199)	(57)

* See text for definition of viewers and nonviewers of Montgomery Ward television advertising.
† Totals over 100 per cent because of multiple responses.

neapolis and St. Paul residents. These are associated with exposure to the television advertising (Charts 2, 3).[12] The differences in profiles appear most evident with scales in the *personal* group of qualities.

[12] A sign test shows differences between viewer and nonviewer profiles significant at the .01 level. To reduce possible effects of sampling variation in the viewer/nonviewer groups, the two groups were "matched" in demographic characteristics. The cluster design of the sample made it possible to use a "neighbor" technique. In general, the matching resulted in sharper differences between viewer and nonviewer responses.

In view of the association of image, frequency of shopping, and purchase, indicated earlier in the study, we can infer that exposure to the television advertising is associated with greater frequency of shopping and with purchase as well. This receives corroboration from independent data (*see* Table X).

It will be seen that viewers shop more frequently at Montgomery Ward than do nonviewers, revealed by the

TABLE IX

*Image of Montgomery Ward: Nonviewers and Viewers * Kind of Purchases Associated with the Store*

Kind of Purchases	*Minneapolis Residents*		*St. Paul Residents*	
	Nonviewer	*Viewer*	*Nonviewer*	*Viewer*
Clothing	56.5	78.0	55.7	72.0
Home Furnishings	24.8	29.1	21.1	40.4
Housewares	17.6	17.1	6.0	14.0
Electric Appliances	28.2	30.5	24.1	22.8
Paints and Hardware	32.7	36.9	30.1	28.1
Automobile Parts	16.8	14.2	17.6	10.5
Machinery	8.4	13.5	6.5	12.3
Notions	1.5	0.7	—	—
Cosmetics	0.8	—	—	—
Gifts	0.4	0.7	0.5	—
Jewelry	—	0.7	—	—
Nothing in Particular	13.7	2.1	8.5	7.0
Everything	4.9	3.6	5.5	3.5
Miscellaneous	11.4	14.2	24.1	21.0
Total Responses †	253.2	283.7	223.6	268.4
Number Respondents	(263)	(141)	(199)	(57)

* See text for definition of viewers and nonviewers of Montgomery Ward television advertising.
† Totals over 100 per cent because of multiple responses.

TABLE X

Exposure to Montgomery Ward Television in Relation to Frequency of Shopping and to Purchase

	Minneapolis Residents		*St. Paul Residents*	
	Nonviewer	*Viewer*	*Nonviewer*	*Viewer*
Per Cent Respondents Shopping During Past Month.	10.3	15.6	42.7	54.4
Per Cent of These Making Purchase	100.0	100.0	88.2	96.8
Median Months Since Time of Last Shopping	31.5	24.8	2.9	0.9
Number Respondents	(263)	(141)	(199)	(57)

greater proportions who have shopped during the past month and by decreases in the medians for months since the time of last shopping. The proportion of viewer shoppers making a purchase also shows increase.

These results throw some light on the effect of television advertising on both store image and sales. They derive added interest from the fact that item advertising instead of institutional advertising was under study.

Store Trading Areas in a Changing Market

WILLIAM APPLEBAUM AND SAUL B. COHEN

Graduate School of Business, Harvard University

Part One of a Two-Part Series*

Trading areas contain the source of a store's business—customers, current and potential. Knowledge of a store's trading area is essential for judicious investment in store facilities, merchandise, and promotional activities to attract and serve customers.

This article deals with features of the store trading area and conditions under which changes in these features occur. A follow-up article will concern:

1. The networks formed by store trading areas of different sizes and ranks in a given market area, and the conditioning under which regroupings occur.
2. Market area saturation with stores in relation to the dynamics of trading area features and trading area networks.

A market usually contains stores of different types and sizes. Each store has its trading area. When the market area is served by stores so located, physically planned, and merchandized that customer needs are adequately met and use of store facilities is efficient, then the market is in balance—or "saturated."

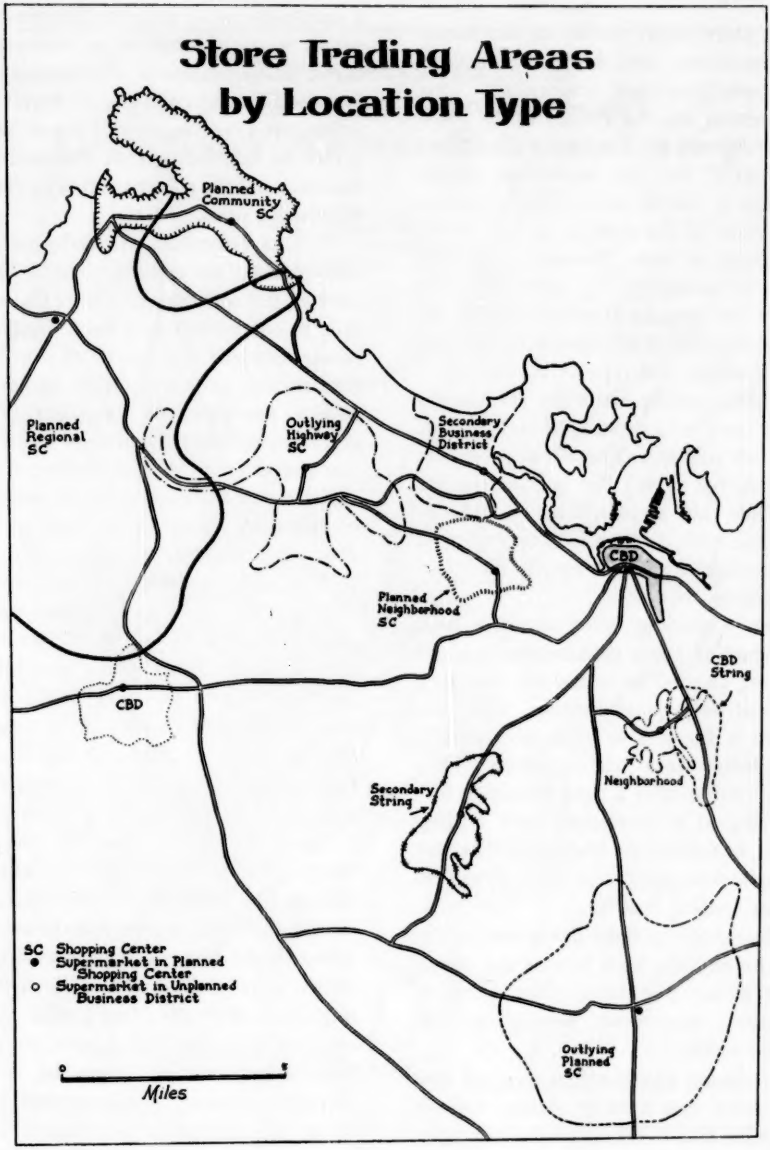
Because of a multitude of dynamic changes, store trading areas do not remain fixed, in time. Likewise, store facilities become outmoded. That is, new store facilities, merchandising methods, or services are introduced, and new store trading area patterns emerge, resulting, in time, in new store trading area networks within a market area.[1] This process leads to a new state of balance between retail facilities and their use.

The concepts presented here are derived and broadly generalized from United States and Canadian retailing experience, particularly of the post World War II era. The presentation is a description of what is currently taking place. These concepts should have special relevance to store development in other parts of the world[2] as they, too, adopt mass retailing methods, achieve widespread automobile use, and create planned shopping centers.

* *This is a condensed version of a longer study by the author on "The Dynamics of Store Trading Areas and Market Equilibrium," originally reported at the International Geographical Congress held in Stockholm, Sweden, in August 1960.*

[1] A market area is an area of demand—it includes existing or potential buyers of goods and services within clearly defined geographical limits. These areas may be trading centers and their hinterlands or metropolitan districts; or, they may correspond to political areas such as countries, states, counties, and cities; or, they may represent the administrative units of business firms.

[2] A greater number and variety of samplings will have to be made of retail store trading area patterns and networks, both in the United States and elsewhere, before clear-cut theories can be offered for universal application.


Store Trading Areas
by Location Type
Planned Community SC
Planned Regional SC
Outlying Highway SC
Secondary Business District
CBD
Planned Neighborhood SC
CBD String
CBD
Neighborhood
Secondary String
Outlying Planned SC
SC Shopping Center
● Supermarket in Planned Shopping Center
○ Supermarket in Unplanned Business District
Miles

Fall 1961

Trading Areas

A store meets the needs and wants of customers who move about within a spatially-ordered framework. This movement may be related to the place of residence, work, recreation, or other activities, but the movement occurs within a specific area. The economic function of the store is to sell goods, services, or both. The store's trading area is determined by what the store sells, the manner in which it sells, the shopping habits of customers, existing competition, and type of location.

Store trading areas are phenomena that are fixed in space for recognizable periods of time. Their boundaries are zones, not lines; the boundaries are flexible, not rigid. These boundaries change with changes in shopping-habit patterns and with changes in merchandising practices.

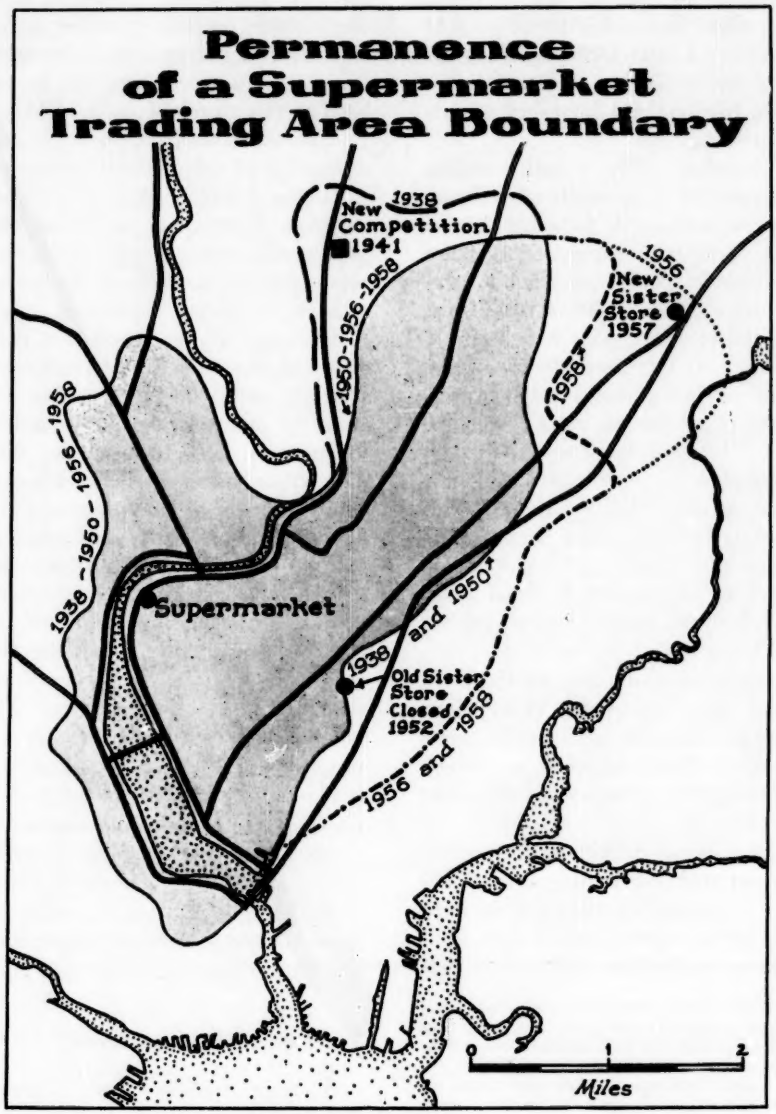
Store trading areas are the joint product of many simultaneously interacting factors, so numerous that they almost defy generalization. This presents a dilemma to those who attempt to define store trading areas. They must either offer a tight definition that applies to a particular store trading area, or a broad generalization that may not be very applicable to any specific store trading area.

Some of the tight definitions use as major criteria such factors as: *drawing power, per capita sales, share of market, movement, population,* and *competition.*

Drawing power refers to a per cent of sales that a store obtains from a specific area in relation to its total sales. *Per capita sales* refers to sales per unit of population. *Share of market* refers to per cent of total available sales that a particular store obtains. *Movement* refers to transportation in terms of travel time, or distance. *Population* refers to the number of people required to support a specific store. *Competition* refers to the location of competitive facilities and the power exerted by each in securing sales.

Various difficulties are encountered in applying these criteria. The delineation of the boundary of a store trading area to correspond to a fixed *drawing power* standard requires much detailed data as well as practical skill in interpreting the effect of numerous geographic and other factors on the extent and shape of a store trading area.

Per capita sales and *share of market* criteria vary according to store types, sizes, and locations, as well as with the policies and capabilities of each firm. One general merchandise store company considers as within its trading area all areas from which it obtains $1.00 per capita per year or 0.5 per cent of share of market. One supermarket chain considers as within its trading area all areas from which it obtains $5.00 per capita per year or 1.5 per cent of share of market. Should the population within such a defined trading area increase considerably, and should additional competition be established in the process, a decreased per capita sales and/or share of market might not alter the store's total sales obtained from the trading area, but the definition would no longer be valid. Actually, a thickly populated core will lower the minimum per capita sales necessary to support a store, and a thinly populated core will raise them.


Permanence
of a Supermarket
Trading Area Boundary
New Competition 1941
1938
1950-1956-1958
1956
New Sister Store 1957
1958
1938-1950-1956-1958
Supermarket
1938 and 1950
Old Sister Store Closed 1952
1956 and 1958
0
1
2
Miles

Fall 1961

Trading area criteria based upon *movement* such as distance or travel time, might be useful if it were possible to develop a valid formula that would allow for differences in competition, traffic friction,[3] and frequency of customer shopping.

Population can be a useful trading area criterion if the number is weighed for competition. A full-scale department store's trading area would require and include 100,000 persons if *all* expenditures of these 100,000 persons for department store goods were made at the store. If this were only one of five equal competing stores, then an area with a population of 500,000 would be needed to constitute the trading area.

Location of *competition* as a criterion of store trading area is difficult to apply in metropolitan areas, where competition exists not only among stores of approximately equal rank, but also with stores of much greater and lesser rank.

Broad definitions about trading areas suffer from vagueness. Nonetheless, generalizations are useful guides. Some of these definitions stress *movement,* others *spheres of influence,*[4] still others *people.*

As a broad definition, the authors suggest that the trading area is the area from which a store gets its business within a given span of time. This does not exclude the reality of overlap. It also emphasizes the "area" in trading area. People must come to a store from a specific area. If other stores offer equal attractions, then the trading area of a given store will be related to this store's distance and convenience of access from the origin and destination of the potential customers.

Because a store's trading area frames the lines of customer movement, the impact of changing shopping habit patterns upon the channels of this movement is of major importance. Customers today originate the bulk of their shopping trips from home. Their mode of travel, with some rare exceptions, is either by automobile, public transportation, or on foot. In the future, they may relate more of their shopping habits to places of work or recreation. There may also be shifts and changes in mode of travel. Regardless of whether the origin of the trip or an intermediate or final destination is the more important, the fact that every shopping trip is linked to a *place* gives a geographical character to the trading area. The mode of travel affects the distance that people will travel readily to shop.

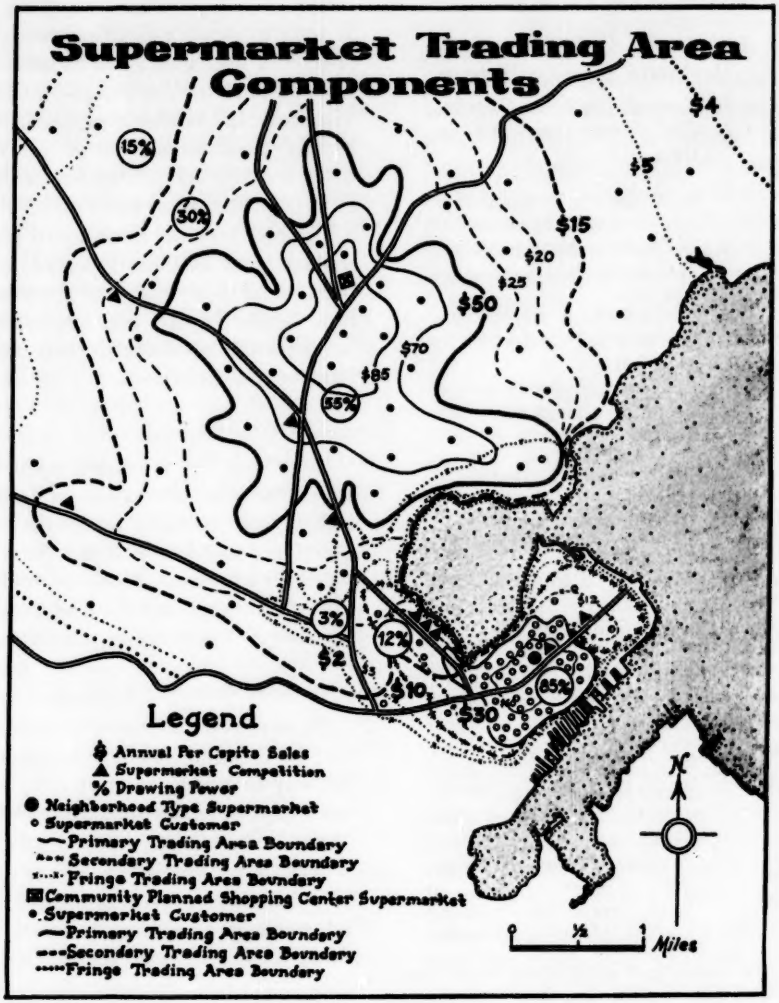
Finally, a generalization of a store trading area must take into account the fluctuations in, and somewhat amorphous nature of, the boundaries arising from the day-to-day actions of the retailer, his competitors and the customers. This is discussed more fully later.

Features of Trading Areas

A store trading area's features include: (1) cores, (2) morphology—shape, size, and arteries of movement, (3) competing stores, (4) internal

[3] Traffic friction results from such disconcerting elements as turning against traffic flow, heavy truck or bus movement, and stops and starts due to street lights, pedestrians, or access lanes.

[4] *Sphere of Influence.* "A trade center region, *i.e.,* a trade center and its continuous hinterland is one in which spheres of influence should be exerted by the former upon the latter," in *Trade Centers and Trade Routes,* Eugene Van Cleef, New York: Appleton-Century Crofts, 1937, p. 38.



components, and (5) external boundaries.

1. *The Core.* The core consists of the point at which the store is located. Characterizing the core are: (*a*) type of location, (*b*) size of store, (*c*) retail structure, and (*d*) store associations.

a. Location Types

The authors find the following classification useful in analyzing store trading areas in relation to location types:

Classification[5] *of Retail Location Types*

A. *Unplanned Business Districts*
   1. *Central Business District.*
   2. *CBD String stores.* Adjoin the CBD.
   3. *Secondary Business District.* Serves portions of a central city or a suburb.
   4. *Secondary String stores.* Adjoin secondary business districts.
   5. *Neighborhood stores.* Occur in small clusters or in isolation.
   6. *Outlying Highway stores.* Occur in strings or in isolation.

B. *Planned Shopping Centers*
   1. *CBD Planned Shopping Center.* Arise through urban renewal.
   2. *Regional Planned Shopping Center.* In strong competition with the CBD.
   3. *Community Planned Shopping Center.* In competition mainly with secondary business districts or with the CBD in smaller cities.
   4. *Neighborhood Planned Shopping Center.* Frequently called neighborhood "strip."
   5. *Outlying Planned Shopping Center.* Draws, in part, upon the passing parade of highway traffic.

In towns and small cities where the CBD is generally the only important business district, the size and other characteristics of a store are more important than type of location. That is, in order to obtain a significant amount of trade, a store must draw its business from the same trading area as the CBD. Therefore, the location types presented in this classification, except for the CBD, are of practical significance only in metropolitan areas and larger cities.

Figure 1 presents examples of store trading areas in these types of locations, based on a number of supermarkets, similar in size, age, quality, and located within a relatively evenly populated metropolitan area.

b. *Store Size*

Store size has a bearing upon the trading area insofar as size of facility reflects the amount and variety of goods and services that can be provided for customers. However, trading area extent does not increase proportionately with increasing store size.

c. *Retail Structure*

A store's trading area is affected: (1) by the retail gravitation power of the city in which the store is located, and (2) by its proximity to other stores.

The retail gravitation power of a city derives from the number and type of stores it has. Usually this is related to the size and function of the city. In general, the larger the population of a city or metropolitan area, the more extensive is the trading area of the CBD. Similarly, the larger the suburbs in metropolitan areas, the more extensive are the trading areas of the shopping goods and even convenience goods stores in these suburbs.

As the size of a city increases, the

[5] This is not a quantified classification; therefore it lacks precision of definition. However, it is a classification that can be readily applied. For an approach to a quantified, functional classification, see *Shopping Center Report* (preliminary report), Cleveland Regional Planning Commission, Cleveland, Ohio, 1958, p. 26.

share of the available retail business secured by stores located outside the CBD increases also. Larger cities present more traffic friction to shoppers in getting to and from the CBD. This traffic friction creates greater opportunity for suburban stores. As cities grow, therefore, the CBD stores' share of the suburban and rural portions of the trading area decreases.

Increased size of metropolitan areas, as well as of cities, as stated previously, increases the extent of their CBD store trading areas. However, increased size of metropolitan area does not appear to result in decreased drawing power from outside the metropolitan area. An indication of this comes from an examination of the retail sales of standard metropolitan areas in relation to their populations. If drawing power from the hinterland increased with a decrease in size of metropolitan area, then per capita sales—calculated by the dividing total retail sales of all stores in the metropolitan area by the population residing within the metropolitan area—would increase accordingly. However, this is not the case.

An analysis of the 1954 United States Census of Business data of annual per capita retail sales by metropolitan areas in the United States indicates a wide range, with no correlation with increased size. Among the first forty Standard Metropolitan Areas, the range of annual per capita retail sales is from $900 to $1,500. The figure for the largest Standard Metropolitan Area, New York, is $1,150; for the fortieth, Fort Worth, it is $1,270. The median is $1,230. There appears to be no discernible order in the figures in relation to sizes of metropolitan areas.

While these data are inadequate to hazard more than a tentative conclusion, the authors conjecture that highest per capita sales for the metropolitan area as a whole occur in metropolitan areas which have the largest number of planned regional shopping centers.[6] The occurrence of such shopping centers is not directly related to the size of metropolitan areas.

d. *Store Associations*

When a site is occupied by a combination of stores, the trading area of each store will be affected by the trading area of its neighbors. In theory, the most extensive boundary of the most powerful store will also serve as the boundary of all other stores. In practice, however, the per cent of business that many stores obtain from the outermost portion of a retail district's trading area tends to be only slightly greater than if these stores were freestanding. The association of one store with another either helps to extend its drawing power, increase its per capita sales, or both. Where the drawing power of two stores is different, there is no assurance that the more powerful store will significantly affect the drawing power of the weaker store. Differences in customer shopping habits in patronizing the various stores concerned, as well as the location of stores

[6] Verification of this conjecture will be possible by studying the latest available data on planned shopping centers, the 1958 Census of Business data by metropolitan areas and the 1960 population data, when published.

TABLE I

The Effect of Population Density on the Trading Area Extent and Drawing Power of Neighborhood-Type Supermarkets

Number of Stores	*Population Within 1 Mile of Store*	*Trading Area Extent*	*Drawing Power*	
			Supermarket Sales Beyond 1 Mile (Per Cent)	*Supermarket Sales Within 1 Mile (Per Cent)*
25	7,000	1½ miles	75	25
20	17,000	1¾	60	40
20	27,000	2	50	50

that are competitive to the less powerful stores, must be taken into account.[7]

2. *Trading Area Morphology.* The size and shape of store trading areas are determined by location, population density, accessibility, natural and cultural features, competition and store "personality."

a. *Size of Trading Area*

As discussed in the sections devoted to store size and retail structure, the size of the trading area of a store (or of a group of stores) increases with the size of the store and with the size of the urbanized area, and the per cent of sales obtained from the more distant portions of the trading area varies inversely with the size of the city. In relating the latter phenomenon to specific stores, we find that population density affects a store's drawing power. This is demonstrated by the experiences of sixty-five neighborhood-type supermarkets.

Dense populations attract larger and greater numbers of the same type stores to one focal point. The effect of such multiplication of store facilities is to extend the trading area for each store.

Traffic friction, on the other hand, acts as a counter-force, and serves to reduce the share of business that is obtained from more distant parts of this trading area.

Another observation that can be made is that the higher the income of the tributary population, the more extensive is the store's trading area and the greater the drawing power from the more distant parts of the trading area. Also, the more densely populated the rural parts of the trading area, the greater the drawing power of a store.

The role that accessibility plays in determining a store's trading areas can be seen from mapping the trading areas of stores that lie close to major intersections. Thus, differences in accessibility for two shopping strips on opposite sides of a rotary helped account for a difference in trading area extent of 1½ miles.[8]

b. *Shape of Trading Area*

Theoretically, the hexagonal, triangular, or square-shaped trading areas offer the best possibilities for covering a market most thoroughly. In practice,

[7] For a more detailed discussion, see Saul B. Cohen and William Applebaum, "Evaluating Store Sites and Determining Store Rents," *Economic Geography*, January 1960, pp. 25–30.

[8] Cohen and Applebaum, *op. cit.*, p. 29.

however, street patterns play the most significant role in molding such shapes, and frequently run counter to what would be theoretically desirable. In cities with grid-type street patterns, store trading areas tend to be rectangular, with amoeba-like extensions, and adequate coverage with least overlap is obtained. Natural and cultural features like rivers, railroads, greenbelts escarpments, unpaved roads, and differences in population characteristics can abort the shape of store trading areas at distances that vary with location types, and numerous examples of this can be cited. Caution should be exercised in evaluating such barriers. Where rivers are crossed by wide, toll-free bridges, where railroad tracks are in use at infrequent intervals, where well-maintained highways cut escarpments, there the barrier qualities of such features are nullified. Certain cultural features are more lasting barriers than physical features. For example, a political and cultural break between a fashionable suburb and a slum area will form a sharper trading area boundary than will a river. Also, such trading area boundaries occur in border zones between the white and Negro populaces of large, northern United States cities. On the other hand, the general rise in living standards acts as counter-weight in blurring these distinctions.

The effects of competition upon store trading area shapes can be seen most clearly from viewing the trading areas of suburban stores in relation to the CBD. Usually, the trading area shapes of suburban stores will be eliptical, with the longer axis trending away from the CBD. The trading area shapes of suburban CBDs are similarly affected by central city CBDs.

Store "personality" refers to the customer's image of a store, formed on the basis of merchandise, price, services and physical facilities. Store "personality" affects the trading area, even though this effect eludes measurement. Marked uniqueness of store personality is likely to extend the trading area significantly.

c. *Arteries of Movement*

In general, store trading areas are elongated in the direction of customer movement (*see* Figure 1). This is qualified, however, by the distribution of population and competition, by access to and traffic friction along the artery.[9]

If the population tributary to a major highway is sparse, then despite heavy traffic flow along the highway, the store will not draw much trade from this traffic flow.

3. *Competing Stores.* The effect of competing stores upon another store's trading area should be considered in a time dimension. The initial trading area of a store will be related to the location of existing competing facilities. A store's trading area boundaries lie within a zone that forms the "trading divide" between this store and competing stores. Only when there is little or no population between two competing stores, or when the stores are very close together, do we find that competing stores exercise no impact upon each other's trading area boundaries.

[9] For examples of the role played by access and traffic conditions, see Cohen and Applebaum, *op. cit.*, pp. 1–8.

Once the trading area boundaries of a store have been established, then these boundaries will not be affected greatly by additional nearby competing stores. However, the store's market penetration is very likely to be affected adversely. This is not to say that new, nearby competing facilities will not abort, bend in, or create a gap within certain portions of the trading area of an existing store. But in broad, meaningful terms, the boundaries will remain fairly constant (*see* Figure 2).

What has been said above refers to competing stores that belong to other companies. The competitive impact of a store belonging to the same company is quite different. A store's strongest competitor is a sister-store with similar facilities. The trading area boundaries of a store that is confronted with competition by a new store of the same company tend to shift and seek a trading divide.

4. *Internal Components.* A store trading area contains within it individual houses, city blocks, neighborhoods, large urban areas, a metropolitan region, and sometimes even larger geographic units. These parts of a store's trading area are the internal components. They have different sales values to a store, and must be studied to understand the complex nature of a store's trading area.

To differentiate these different components, various criteria are employed: *share of market, driving time, traffic flow, location of competition,* and *drawing power.*

A major *share of market* is often used to mark off one part of the trading area from another. While a retail district can obtain more than half of the available business of a given area, individual stores rarely secure a majority of the available business of any substantial part of the trading area.

Driving time (which is determined by mode of travel, traffic friction, individual driving habits, weather, accessibility, and parking) can be a useful criterion if the values of the units of time used as measurements are related to actual sales experience.

Breaks in *traffic flow* density can be useful as a rough guide in differentiating trading area components; however, total traffic density may not be a good indicator of density for shopping purposes.

Location of competition as reference points in establishing the components of a store's trading area is useful only for broad generalizations which do not give due consideration to the element of overlap of store trading areas.

Drawing power is a useful criterion in differentiating trading area components. However, its usefulness depends on giving proper weight to differences in population density and purchasing power.

Various terms are used to describe trading area components. *Primary, secondary,* and *fringe* are perhaps the most common. These terms are often used ambiguously. In the case of a large retail district, say a CBD, primary may be used to designate that part of the trading area from which a major share of the total market potential is obtained. In the case of individual stores, primary usually means the largest single share of only a fraction of the total market potential.

TABLE II

Generalized Example of Internal Components by Per Capita Sales

Store Type	*Store Annual Volume*	*Annual Per Capita Sales Boundaries*		
		Primary Trading Area	*Secondary Trading Area*	*Fringe Trading Area*
Department Store	$12,000,000	$30	$15	$3
Discount Store	8,000,000	20	8	2
Supermarket (in a large shopping center)	2,500,000	50	15	4
Junior Department Store	2,000,000	13	5	2

The authors suggest that the components of the trading area be differentiated on the basis of a store's (or group of stores') *sales penetration* and *drawing power* within the trading area. This combination of judiciously selected measurements offers a sound, practical method for evaluating and mapping the internal components.

The per capita sales of a store, *i.e.*, a store's retail sales per person (per week or per annum), measure the extent of a store's sales penetration of one part of the trading area as compared to its sales penetration of a different part. This measurement is in absolute terms and represents differences in the store's influence upon customers in different parts of the trading area. Per capita sales can be weighed for differences in purchasing power for more meaningful comparisons, and can be adjusted for price index changes, where comparisons over time are needed. Such weightings and adjustments are essential to arrive at sales penetration in terms of share of market. Drawing power (which measures the per cent of sales that a store obtains from a specific component in relation to its total sales), quantifies the relative sales value of that component to the store. Thus the selected drawing power criterion designates the proportionate value of the component and the selected per capita sales contour outlines the boundary of the component (*see* Figure 3).

Customer spotting maps, which show the varying density of customer distribution, can serve as the guides to the selection of drawing power criteria for establishing internal components.

Per capita sales vary by type of store and type of location. Therefore, in differentiating between primary, secondary, and fringe trading areas, it is necessary to select different per capita sales as units of measurement for each store type and location type. In general, greatest sales penetration can be expected for those types of stores that are most specialized and least numerous, with high-priced and slow-turnover goods. In the fringe trading areas, however, per capita sales as measures of penetration are likely to be more nearly equal for various types of stores.

The boundary between the primary trading area and the secondary trading area appears to be affected by the location of competition, but not the boundary between the secondary and fringe trading area.

5. *External Boundaries.* Store trading

(*Continued on page 56*)

Group Interviews Reveal Consumer Buying Behavior

HENRY L. MUNN AND WILLIAM K. OPDYKE

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The retailer's ability to do his job is primarily dependent on the quantity and the quality of his information about people in their capacity as increasingly sophisticated consumers in the market place. The success of an individual firm, whether it is manufacturer, wholesaler, or retailer, in this competitive economy depends in turn upon how well its personnel can use these data in predicting consumer response.

While it is essential to know what has taken place in the retail environment—that the consumer has bought, not bought, or postponed buying—it is also essential to know why. For the opportunity for constructive thinking is directly related to the extent that there is knowledge and more importantly, understanding of what took place. To know facts alone is not enough.

Consumer buying behavior is infinitely complex and is no longer the sole province of the economist. Yet economic concepts have had, and still have, a marked effect upon business thinking about the nature of buying behavior. Undoubtedly the most telling concept, which represents both what many economists have said and what many businessmen think economists have said, has been that of the "economic man."

The province of consumer behavior is now wide open. The sociologist, social psychologist, psychiatrist, and anthropologist have moved in with a whole new arsenal of concepts. Determinants of buying behavior are no longer linked solely to age, income, and education, but to social class, referent groups, stage-in-the-life-cycle, sibling rivalry, childhood constraints, and so on. The number of influential variables has become torrential. Unfortunately, research is still relatively in the dark ages when it comes to explaining buying behavior, and the selection of a few hand-picked data to illustrate conclusions already reached, although fashionable, is hardly scientific. It appears that the less that is known, the more magic is used to explain the mystery.

Buying behavior is often irrational and quite incalculable on any equilibrium framework no matter how powerful the statistical techniques and mathematical models devised. Some theories at one time seem to fit (and parts do fit here and there), but generally speaking, man's knowledge about himself

today, in every field and activity, is woefully inadequate. The area of consumer buying behavior is no exception to this general rule.

At the risk of muddying the waters of "buying behavior" further, an exploratory investigation was made to see which factors of the retail environment could be isolated, identified, and ranked. Leaving aside the advertising that may have brought a customer to the store, this study concerns itself with factors affecting his buying behavior on the premises. What causes him to:

1. Buy
2. Postpone buying
3. Refuse to buy

Novel Survey Design

To explore the above in depth, it was decided to interview both customers and salespeple. The salespeople were surveyed first.

The technique used is not an interview in the usual sense of the word. Instead the group leader employs the free association techniques used in group therapy or in industry's "brainstorming." The environment is deliberately permissive. As each person in a group adds his comment to the one just preceding, the discussion figuratively snowballs. Participants often discover that they *can, and do,* arrive at unanimous conclusions on most points.

This technique is used to get material that would be very difficult, if not impossible, to obtain in any other way. Agreements and disagreements among the members of the group bring out ideas that would not appear if each person were interviewed separately.

The discussion leader has a different role from that of an interviewer. His task is to create a setting that is favorable to the discussion and to start the conversation off in the right direction. The less talking done by the discussion leader, the better—as long as the desired topics are covered. At no time does the discussion leader make categorical statements. His role is that of a trained questioner driving toward group conclusions. When the leader introduces himself to the group, he emphasizes that the real experts on the subject are the group participants. This is the prime factor in securing maximum cooperation from the group.

This approach of insisting that the selected participants know *most* about the subject works well because the typical, long-time salesperson feels a strong "inward challenge" to any person who attempts to "train" him. He is usually the field marshall insisting that no "outsider" can ever tell him anything, because he is in the very singular position of having gained his skill the hard way—on his very specific task.

In 1958, sixteen of the leading and largest retail stores in a western city—including department, gift, appliance, furniture, clothing, and jewelry—allowed the authors to interview their key sales personnel.

Each store group consisted of an average of eight participants carefully selected by respective store managements as being outstanding in saleswork and in experience.

The writers acted as the discussion leaders of the sixteen groups. The topics were: "Why does the consumer buy, postpone buying, or refuse to

buy?" Almost invariably there was unanimous agreement within each group and extremely close correspondence between the sixteen different groups.

Before proceeding to the field with house-to-house consumer interviews, three discussion sessions were held on the campus of Arizona State University at Tempe, Arizona, with three selected groups of consumers. The same questions were presented to the retail salespeople in order to determine objectively what types of queries or topics for the field interviewers would be most appropriate. Unanimous agreement was obtained within and between each consumer group.

This phase of the study was completed in July 1958.

An interview schedule was then devised that utilized a simple attitude scale. The sample design utilized was systematic cluster sampling with subsampling. Once a cluster was selected, two families within the cluster (block) were chosen by a random sampling procedure. Cluster sampling designs with subsampling are usually economically more efficient than cluster sampling designs without subsampling.

A total of 288 households were selected, of which 260 were interviewed. Up to two call-backs were made and no substitutions were permitted. Only those households were interviewed in which the residents were married and living together. The husband and wife were interviewed simultaneously.

Findings

Nine separate factors were derived from the discussion groups of retail salespeople in answer to the question, "Why do people buy?" (*See* Table I.)

Table I reveals little that is remarkable or new. *A priori* reasoning and some empathy with the salespeople might have led most retail managers to similar rankings. However, in their estimation of "Why consumers postpone buying?" the answers and rankings given by the salespeople are not so easily predictable, we would guess, even by the most sophisticated retail store manager.

Table II shows how salespeople ranked consumer reasons for postponing buying. It is revealing here that the salespeople do not blame themselves. Elements of self-dissatisfaction are almost never revealed by individual interviewing unless the interviewer can establish close rapport and the respondent has sufficient trust in the interviewer to reveal his real or imagined inadequacies. In a group session, however, these are quickly brought into the open, as can be seen when the a group of salespeople were asked, "Why do consumers refuse to buy?" (*See* Table III.)

When in a group, salespeople who do not admit that they are personally responsible for the loss of any given sale, nevertheless rank the behavior of the salesperson as the primary reason for a customer's "refusal to buy." Though he may share the human tendency to overlook or rationalize his own "sins of omission or comission," he is well able to observe how another person "botches a sale." Thus group discussions of how and why a sale is not completed may be of value. And it is certainly significant that ten groups

TABLE I

Why Do Consumers Buy?

(Ranking of Factors by Sixteen Groups of Retail Salespeople)

1. Sales personnel—abilities, know-how, and personality.
2. Price or dollar values—quality and style in relation to price.
3. Display of inventory—selection of goods, packaging of goods, and general atmosphere of the store.
4. Ease of credit and charge policies.
5. Consumer's need for goods—mostly preconceived. Utility factors of the goods. Also desire and pride of ownership.
6. Store service—deliveries, gift wrapping, accurate billing, guarantees, etc.
7. Reputation of store—local and/or national, built over past years.
8. Style, fashion, and fitting—these were regarded as a major separate factor.
9. Nationally known brands—regarded as a separate *demand* factor.

TABLE II

Why Do Consumers Postpone Buying?

(Ranking of Factors by Sixteen Groups of Retail Salespeople)

1. Lack of personal funds
2. More shopping around before final decision
3. Fear of economic trends, including job security
4. Sales personnel—personality "clashes," incomplete sales job, grooming of salespeople, high pressure tactics, lack of product know-how, discourtesy, poor presentation
5. Need for family approval—especially for those goods priced above $25.00
6. Lack of confidence in list prices
7. Seasonal waiting period
8. Goods do not fit needs
9. Poor store services
10. Won't accept styles—inadequate inventory
11. Poor display—not attractive and sparkling

TABLE III

Why Do Consumers Refuse to Buy?

(Ranking of Factors by Sixteen Groups of Retail Salespeople)

1. Sales personnel—high pressure tactics, insufficient attention to prospects, personality conflicts, wrong sales pitch, too much talk, distasteful dress and general appearance, and lack of product know-how
2. Display of goods—poor store atmosphere, too crowded, confusion of wares
3. Insistence on further competitive shopping
4. Reputation of store
5. Fear of downturn in national or local economy
6. No faith in list prices—belief that prices will drop
7. Poor store service
8. Cost of goods exceeds desire or ability to pay
9. No desire or need—using store as waiting room or place of passage
10. Inventory inadequate to meet specific needs

TABLE IV

Consumer Ranking of Factors Causing Them to Buy

Factors Causing People to Buy Without Regard to Rank as Determined by Three Consumer Groups	*Sum of the Weights Given to Each Factor by 260 Individual Families*	*Rank*
1. Style	690	6.5
2. Advertising	510	12
3. Display of goods	640	9
4. Quality of goods	850	1
5. Fashion	560	11
6. Economy	690	6.5
7. Influence of desires of child	350	16
8. Salespeople's influence through interest, know-how, personality	800	2
9. Store—physical and decorative aspects	670	8
10. Convenience of store and/or parking facilities	740	4.5
11. Need—initial and replacement	770	3
12. Reputation of store for service	740	4.5
13. Availability of credit	440	14.5
14. Family influence	460	13
15. Impulse	440	14.5
16. Guarantee for article	620	10

TABLE V

Causes of "Postponement of Purchase"

Factors Causing People to "Postpone Buying," Without Regard to Rank as Determined by Three Consumer Groups	*Sum of the Weights Given to Each Factor by 260 Individual Families*	*Rank*
1. Lack of cash	770	2
2. Waiting for price reduction	500	6
3. Belief that style will change	260	9
4. More shopping around	530	5
5. Economic conditions	290	8
6. Price higher than present spending decision	550	4
7. Inability to make a decision	470	7
8. Poor salesmanship	860	1
9. Fear of being in debt over long period	630	3
10. Impact of international events	210	10

TABLE VI

Factors Resulting in "Refusal to Buy"

Factors Causing People "to Refuse to Buy" Without Regard to Rank as Determined by Three Consumer Groups	*Sum of the Weights Given to Each Factor by 260 Individual Families*	*Rank*
1. Not convinced of need	670	6
2. Lack of salesperson's personality and ability	660	7
3. Demand more competitive shopping	530	10
4. False and misleading advertising	930	2
5. Economic and personal expectations	580	8
6. Unsatisfactory goods	950	1
7. Reputation of store	730	5
8. "Just shopping around"	380	11
9. Inadequate financing	570	9
10. Product unsatisfactory	830	4
11. No salesman's attention	880	3

ranked "poor salesmanship" as the factor most often responsible for a "lost sale," while two of the remaining six groups ranked it second in importance.

The Consumer Groups

Three discussion groups were held for consumers. The same three questions were thrown out to them by the discussion leader: (1) What causes people to buy, (2) what causes them to postpone buying, and (3) what causes them to refuse to buy within the retail store. As a follow-up, individual families were interviewed by handing the interviewee a card listing five possible attitudes. The interviewer said, "I am going to read a number of factors which may or may not be reasons why you buy something. After I read each factor, just tell me if you think the factor is *extremely important, very important, important, relatively unimportant,* or *not important at all,* in causing you to buy." The respondents were encouraged to look at the card listing the factors and come to a decision. A man and wife were always interviewed together; there had to be unanimity between them for the response to be counted.

The same statements rephrased were asked regarding the importance of factors leading to the "postponement" or "refusal to buy."

For purposes of weighting in the tabulation of data, "extremely important," was given a weight of four; "very important" a weight of three, "important" a weight of two; "relatively unimportant" a weight of one; and "not important" a weight of zero. The most significant finding was that customers ranked "salesperson's influence" as second in importance among the factors causing them to buy. This rating paralleled closely the salespeople's judgment. (*See* Table IV.)

Similarly, consumers listed "poor salesmanship" as the primary factor in causing them to "postpone buying." "Lack of cash" was ranked secondary, though it had been ranked most important by the salespeople. (*See* Table V.)

When we turn to the question, "What causes people to refuse to buy?" a look at Table VI is revealing. On the surface it would appear that "unsatisfactory goods" and "false and misleading advertising" are the culprits. However, if "not convinced of need," "lack of salesperson's ability," and "no salesman's attention" were summed up, their combined weights would be enormous, as these three areas are the ones where personal salesmanship is supposed to play its most vital role. In group discussion, the salespeople were quick to point out this crucial area of defection on their part. The consumer interviews here substantiated and paralleled the opinions of the salespeople.

Summary

It is the researcher's prerogative to generalize, and the temptation is great. It must be remembered, however, that the salespeople came from selected types of retail establishments. For the most part these firms did not sell convenience goods and no "discount houses" were included. Furthermore the meaning attributed to key words in

(*Continued on page 56*)

Food Retailing Practices in Chile

WASHINGTON CANAS L.

The method of food distribution in Chile has developed on much the same lines as in other Latin-American countries. The basis of distribution is the independently owned retail outlet specializing in the sale of groceries, produce, bread, or meat. The capital of such outlets fluctuates between $1,000 and $6,000.

The typical store owner is a man of limited business training, working a small, modestly furnished store as a family concern. There are, however, a number of larger stores with a selling area of 1,800 to 2,000 square feet. These stores have a wider variety of items offered at both retail and wholesale prices. The larger store is usually run on a higher level of business organization than the smaller, more limited family store.

Retail trade operates almost entirely on an over-the-counter basis, although in the higher income neighborhoods, a telephone-and-delivery credit system is used. There are no independent voluntary chain associations in Chile, and co-operative associations deal with clothes rather than food.

A limited form of self-service appeared in traditional stores about eight years ago. The first actual supermarket opened as recently as 1957. The expansion of self-service stores has been slow. Santiago, the capitol of Chile, has a population of over two million, and yet can boast but fourteen self-service outlets. In all the rest of Chile, self-service outlets total twelve.

The initiators of the change from traditional type stores to self-service were all very progressive grocers. Their ventures did not always meet with success, however, because of their limited knowledge of the techniques required to manage supermarkets. The one food chain organization that is the unchallenged leader of the food retail business sells to three supermarkets, seven self-service stores, and twenty traditional stores.

Wholesale trade is done through wholesale distributors. These distributors assume the role of a bank, helping to finance small stores, but not contributing to advertising or sales promotion.

The average margin on sales, after the sales tax, is 20 per cent. Store owners pay little attention to stock rotation and concentrate primarily on bargaining for the best sales terms possible. Vestiges of the hard years of inflation can still be seen in Chile. Merchants continue to spend their time trying to make profits by overpricing

stock instead of finding better ways to sell it.

Until recently, shopping center development has been impractical because of the scarcity of automobiles. Also, the general scarcity of freezers and refrigerators has forced the housewife to shop three or four times a week in nearby stores. A large number of small stores have taken advantage of the frequent need for shopping of the average housewife by setting up nomad markets which cover different neighborhoods on different weekdays. The produce and grocery items offered by these moving markets are low priced since there are no overhead expenses or taxes.

Meat, the principal item in alimentation, has not found an adequate channel of distribution. Meat is sold in stores that specialize in this product. Meat is also sold in supermarkets, but there has been difficulty getting people accustomed to self-service sale of meat. Although the higher income neighborhoods have accepted more readily the self-service purchasing of meat, a large percentage of consumers prefer the special order system.

Produce is sold in small specialized stores, managed by their owners. In Santiago they stock themselves exclusively from one source, the metropolitan market called Vega Central. The farmers auction their produce to store owners in the Vega Central. There is little quality control and prices fluctuate constantly.

Both bread processing plants and pasteurized milk plants utilize delivery trucks to distribute goods to specialized stores. These trucks also sell house-to-house.

At the present time, the government is studying a project to modernize and improve food distribution methods in Chile. Some of the principal objectives of this project are municipal markets, encouragement to form voluntary chains, incentives to build private supermarkets, and the implementation of better transportation, refrigeration, and storage facilities. Also, an intensive business training course for small merchants will be offered.

The need to improve the distribution system, both in quality and efficiency, is felt in Chile. The country has a very small number of self-service stores per capita. In the author's opinion, these are superior to the self-service stores of Uruguay, Argentina, Peru, and Brazil, but they are not as large as those in Colombia, Cuba, Mexico, and Venezuela.

The principal and positive factor influencing retail trade in Chile is the monetary stabilization that the country has tried within the last two years. Unlike past years in which the inflation rate reached substantially higher percentages, the inflation indexes have stabilized at a 10 per cent yearly rate. This comparative stability has activated competition. People have become more price conscious, and operators have had to increase their efficiency in order to stay in the market. This trend has resulted in an improvement of the operator's personal productivity and, in the aggregate, in the country's productivity.

Competition in Food Retailing—Some Recent Developments

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This paper will consider the following question: Have there been any recent developments in food retailing which suggest that certain widely held beliefs about competition in this sector of the economy need revision? Before proceeding to this question, however, we shall indicate briefly what economists have said about the nature of competition in retailing.

Inherent in retail trade itself are characteristics later to be termed "monopolistic competition."[1] These characteristics have been described in the following way:

> In retail trade, each 'product' is rendered unique by the individuality of the establishment in which it is sold, including its location . . . this is its monopolistic aspect. Each is subject to the competition of other 'products' sold under different circumstances and at other locations; this is its competitive aspect.[2]

The retailing industry displays many of the features of oligopoloy, *i.e.*, an industry characterized by the presence of only a "few" sellers. The oligopoly is of the "chain type": although any one retailer will have an oligopolistic relationship with only a limited number of retailers, in the sense that he only will be concerned with the probable reaction to his policies of these retailers. Policies initiated by a retailer are likely to have "spill-over" effects extending, as a result of the "links in the chain," beyond this limited number.

It should also be pointed out that a retail store is in competition with stores in other "kinds" of retail business. That is to say, because of the overlapping of assortments, a food store faces competition not only from other food stores in its area, but, also, from many other kinds of stores (drug, clothing, variety, tobacco, and the like, which carry some of the items offered by the food store). This type of competition, *i.e.*, among different kinds of retailing, has been growing in importance in the postwar period with the broadening of the product lines handled by retailers. It has been accompanied by a breaking down of the traditional product distinctions between different kinds of retail store.

While recognizing the monopolistic features inherent in retail trade, econo-

[1] See Henry V. Smith, *Retail Distribution* (London 1948), especially the quotations from Cairnes, p. 109, and Wicksell, p. 111.

[2] E. H. Chamberlin, *The Theory of Monopolistic Competition* (*5th ed.*; New York: Cambridge University Press, 1946), p. 63.

mists have commonly regarded retailing as one of the more competitive sectors of the economy. This "proneness to competition," as we may call it, is the result of the extreme ease of entry into retailing. Entry is simple, it is asserted, because of two factors: one, the limited amount of capital required, and, two, the limited amount of skill necessary to set up a retail establishment.

Many economists have commented on the relationship between ease of entry and competition in retailing; only one will be quoted here.

> Retailing is one of the most competitive parts of the economy. It is very difficult, if not impossible, to obtain and to hold a monopoly position in a given retail market. It is so easy for new entrants to come in, that anything that tends to look like a monopoly position becomes threatened immediately by new competition.[3]

The above quotation is concerned with a particular type of entry: that involving the movement of a new firm into retail trade. From the point of view of any one sector of the retailing industry, however, there are two other forms that entry may take: (1) a retailer in some sector of the industry may add to his assortment items usually carried by another sector; and (2) a difference in degree that may be regarded as a difference in kind. That is, a retailer in some one sector of the industry may change the type of assortment he carries. For practical purposes, this means changing the kind of retailing in which he is engaged.

An awareness of this aspect of entry is reflected in the following quotations:

> If each of three or four village shops can easily stock a number of additional lines at only small marginal cost, that will make it harder for any one of them to obtain anything like a local monopoly in the sale of any one product.[4]
>
> Competition from new firms is not the only source of danger to the retailer who relies on traditional markups and nonprice competition. Retailers in other trades can take up items carrying remunerative rates of markup as profitable side lines.[5]

Fundamental Question

The question with which this paper is concerned may be expressed as follows: given the fact that the food retailing industry has experienced significant technological and institutional changes in the postwar period, need there be any revision in our thinking about the ease of entry into (and, hence, necessary competitiveness of) food retailing? The technological change to which we refer is the development of the supermarket which, in 1958, secured some 68 per cent of the total sales of the grocery retailing industry in the United States.[6] The institutional change is the controlled shopping center, in which space is leased to tenants by a landlord inter-

[3] Restrictive Trade Practices Commission, *Report on an Inquiry Into Loss-Leader Selling* (Ottawa, 1955), p. 110. The statement was made by Dean E. Grether.

[4] Sir Denis H. Robertson, *Lectures on Economic Principles* (London, 1957), I, p. 154.

[5] J. Hood and B. S. Yamey, "Imperfect Competition in Retail Trades," *Economica*, XVII (May 1951), 134.

[6] The growing importance of the supermarket is made clear in the annual reports, *Facts In Grocery Distribution*, prepared by *The Progressive Grocer*.

ested in the over-all shopping attractiveness of the center.

Thus, we can state our question more precisely: Does the development of the supermarket and the controlled shopping center have any significant implications for ease of entry into food retailing?

It will be recalled that the argument of easy entry into retailing rests on the limted amounts of skill and capital required by the prospective entrant. As far as changing skill requirements are concerned, it is possible to do no more than state the obvious: the operation of a modern supermarket, in which 6,000 or more items may be carried, requires a degree of skill and experience that is hardly negligible. It is true that a minimum of skill (as well as a minimum of capital) is required to open and to operate a "corner grocery store"; hence, in a sense, entry into food retailing remains easy. But such stores are playing a smaller and smaller role in the distribution of food and seem destined to be more and more restricted to the interstices, product and geographical, of the food retailing industry.

As far as capital requirements are concerned, it is misleading to say that a limited amount of capital is sufficient for entry into the food retailing industry, at least at the supermarket level of operations—and it is primarily at such a level that entry is effective. A recent study in Canada has described the situation well:

> Retailing has always offered to the enterprising newcomer an opportunity to make a start in ownership with modest capital. However, with the increase in size of the average store, the opportunity for the small investor may be shrinking. For instance, because of the rise of the gigantic supermarket, with its large investment requirements, newcomers would venture into the grocery trade today with far more hesitation than ever before.[7]

We seem justified in suggesting that the development of the supermarket as the dominant type of store in food retailing calls for a modification of the commonly accepted view that entry into the industry is easy because of the limited amount of capital needed to launch a new enterprise. Those who argue in this way are apparently thinking in terms of the small store once typical of the industry. They have failed to appreciate the extent to which food retailing has been transformed by the emergence of the supermarket as the typical unit.

The most effective form of entry into the food retailing industry in the future is likely to be represented by the movement of other kinds of stores into food retailing; *i.e.*, by the addition of food items to the assortments carried by nonfood stores. There is already plenty of evidence of such developments.

For example, the Super Market Institute has reported:[8]

> The following question [was addressed] to the Super Market Institute members: 'Are you getting severe competition in your retail food operation from outlets that are not primarily food stores'?

[7] *The Service Industries*, prepared for the Royal Commission on Canada's Economic Propects by the Bank of Montreal, and published in March 1956, p. 58.

[8] *The Super Market Industry Speaks*, 1959, p. 17.

> Nearly one out of ten companies (9 per cent) answered 'yes' . . . Discount houses were cited most frequently as the source of this competition.

An article in *Food Topics* [9] has described the impact on the sales of stores operated by four leading food chains (A & P, American, Food Fair, and Penn Fruit) by the food department operated by "a large . . . discount house, Two Guys from Harrison." The article concludes, "should the supermarkets fail to meet this new challenge, a possible shift in food buying habits may emerge, with the major share of household food purchases being made at the discount houses."

Along the same line, a leading authority on retailing has written: "Currently the variety chain, the drug chain, the department stores, and the discount house are all expanding their *food* operations—and the food programs of the discount chains are *particularly* worrisome to the food super." [10]

Furthermore, as self-service continues to spread from food to other kinds of retailing, the ease with which product assortments can be changed is likely to increase. The use of a common merchandising method adds to what may be called the "product mobility" or "assortment flexibility" of the retail store. Scrambled merchandising, which involves the entry of one kind of retail store into some other kind of retailing, is facilitated when more and more stores employ similar merchandising techniques.

[9] In the issue of February 17, 1958.

[10] E. B. Weiss, *A Critical Appraisal of the Food Super's Future* (Doyle, Dane, Bernbach, 1959), p. 16.

Assumptions about the ease of entry into food retailing are evidenced also in the growing importance of the controlled shopping center. An increasing proportion of United States retail trade is occurring in these centers. They offer locational advantages and parking facilities of great value to the retailer. Studies of the leasing policies of shopping center operators indicate that supermarket space is usually restricted to established chains. The demonstrated drawing power of these chains enhances the value of space in the center to prospective tenants. Their financial strength also adds to the borrowing capacity of the center developer.

Many quotations could be offered in support of these assertions, but a few should be sufficient.

> Although the shopping center developer may wish to lease to local merchants or small chains, he finds that he must lease a substantial amount of space to national tenants.[11]

The major chain supermarkets, with their national advertising and tremendous advertising budgets, plus their acceptance and drawing power within a community naturally appeal to the developer as the essence of a small center. They will attract the people who will shop not only the supermarket but all the other stores.[12]

Several statements relevant to this point were made at the 1959 hearings before a subcommittee of the Senate's

[11] R. L. Nelson. *The Selection of Retail Locations* (New York, 1958), p. 270.

[12] *Shopping Centers—1959.* Hearings before a subcommittee of the Select Committee on Small Business, United States Senate, Eighty-Sixth Congress, Washington, D.C., 1959, p. 32.

Select Committee on Small Business. They include the following:

> When we go into a community to develop a center we are looking for that supermarket operation that is going to have the greatest appeal to the most people and produce the most traffic for that center. Most likely, in the food business, that is going to be a major supermarket chain.[13]
>
> It is particularly difficult for new small chains or new local chains to get into shopping centers.[14]

These quotations are, at least, suggestive. An asset of great importance in food retailing—space in shopping centers—is practically barred to the potential newcomer as well as to the small established independent. Denied access to an important input, the would-be entrant is, in effect, denied entry to the industry, except at locations less advantageous than the shopping center. The large food chains, with their recognized drawing power and financial resources, can use their bargaining power to obtain favorable leases. The newcomer, or established independent, on the other hand, is unlikely to possess the attributes in which the developer is interested.

[13] *Ibid.*, p. 83.
[14] *Ibid.*, p. 102.

Many of the food chain companies control their own shopping center development subsidiaries and have, as would be expected, first claim on the supermarket space available. The increase in concentration in the food retailing industry in recent years can be only partially explained by the acquisitions made by the leading firms. That is, it may be related to the evident advantage enjoyed by the large chain in getting access to shopping center locations.

Summary

We may now summarize the conclusions of this paper. The rise of the supermarket, with its substantial capital requirements, as the dominant type of food retail store, plus the growing importance of the controlled shopping center, with leasing policies tending to favor the large established chain system, have resulted in a reduction in the ease with which new firms can enter food retailing. This trend challenges the economically assumed guarantee of competitiveness in the industry. Entry by way of additions to product assortments remains important, however, and with the spread of self-service, it is likely to increase.

The Big Drop—A Study of Declining Retail Profits in 1960

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Retailers were unsuccessful in their attempts to cut expenses during the 1960 recession year. Profits were down 6.9 per cent over the previous year or about $120 million dollars.

In contrast to the profits showing, store sales showed a 3.4 per cent increase over the previous year while total retail investment increased by 6.6 per cent.

The findings in this study are based on the annual survey of retail establishments conducted by the New York University School of Retailing. The survey covers 116 retailers. Though it is becoming increasingly difficult to classify retailers (due to scrambled merchandising policies and mergers) nevertheless we have organized our tabulations into eight retail categories: Apparel, Department and Specialty, Drug, Food, Mail Order, Shoe, Variety, and Miscellaneous. Tabulations include ratios of profits (both before and after taxes) as a percentage of sales and net worth.[1]

Sales[2]

As previously stated, sales of all retailers increased during 1960 by 3.4 per cent. During the recession year, this performance can be attributed to two factors that bear little relationship to increasing retail productivity. The first was the continuing increase in the price index during the recession. The over-all index rose by almost 2 per cent during 1960 and no doubt helped increase store sales. The second explanation is the rise in the number of retail mergers and new store openings that took place during the year.

Apparel chains entering the discount field continued to increase their sales during the 1960 recession year. As we shall see later, the sales growth could not reverse the poor profit picture of most retailers in this category. Specifically, the total apparel group (*see* Table I) reported a 7.4 per cent sales increase over the previous year. The food chains were able to increase sales volume by 3.2 per cent last year, but most of the gain can be attributed to the Great Atlantic and Pacific Company. Department stores reported a less than 2 per cent sales increase during the recession year. In view of their store plant expansion during the fifties, it can be assumed that department stores were hard hit by the recession.

Nineteen retail organizations reported sales of over $500 million an-

[1] Net worth is composed of capital stock and surplus.

[2] Tabulations are based on Moody's *Industrial Manual*. New York: D. F. Shea, 1959.

TABLE I

Changes in Dollar Sales and Net Worth of 116 Major United States Retail Firms from 1959 to 1960, Summarized by Type of Store

Type of Store	*Number of Stores*	*Sales (Add 000)*		*Per Cent Change from 1959*	*Net Worth (Add 000)*		*Per Cent Change from 1959*	*Ratio Sales to Net Worth*	
		1960	*1959*		*1960*	*1959*			
Apparel	11	$ 645,852	$ 601,609	7.4	$ 174,868	$ 168,122	4.0	3.7	3.6
Department and Specialty	47	7,638,507	7,506,399	1.8	2,306,626	2,218,760	4.0	3.3	3.4
Drug	7	801,999	747,489	7.3	195,194	175,131	11.5	4.1	4.3
Food	16	15,838,041	15,342,903	3.2	1,631,755	1,524,604	7.1	10.0	10.0
Mail Order	5	5,800,485	5,610,415	3.4	2,217,758	2,116,037	4.8	2.6	2.7
Shoe	7	571,157	557,479	2.4	153,790	152,329	1.0	3.7	3.7
Variety	13	3,124,616	2,924,022	6.9	1,274,718	1,121,761	13.6	2.5	2.6
Miscellaneous	10	662,381	646,311	2.5	242,011	209,803	15.4	2.7	3.1
All	116	$35,083,038	$33,936,630	+3.4	$8,196,720	$7,686,547	+6.6	4.2	4.3

nually. Three, W. T. Grant Company, R. H. Macy and Company, Inc., and Jewel Tea Company were added to the sixteen listed last year. (*See* Table IV.) Again, the highest sales volume was reported by the Great Atlantic and Pacific Company with sales in excess of $5 billions. Table VII shows that the 19 retailers with sales of over $500 million comprised 72.8 per cent of the sales of all reporting retailers.

Profits

Profits (before taxes) in 1960 for all reporting stores were off 6.9 per cent from the previous year. Measured in terms of dollars, reporting stores increased their volume by over $1 billion, but lost over $100 million in profits.

Surprisingly, the food group reported a 2.4 per cent increase in profits over the previous year. This group was helped considerably by a reported $15 million increase in profits by A & P.

Few retailers were able to increase profits in the face of a business recession that continued for the last three quarters of the year. All groups showed a considerable loss in profits, with the variety, mail order, and miscellaneous groups exceeding a 10 per cent loss. When profits (before taxes) are measured as a per cent of sales all retail groups reported a drop over the previous year (*see* Table III). Again, when profits (before taxes) are measured as a percentage of net worth all groups reported lower ratios. These same percentages when measured after taxes still report lower ratios than the previous year.

Individual Performances

Table V lists the retailing organizations reporting a net worth of over

TABLE II

Changes in Dollar Profits, Before and After Taxes, of 116 Major United States Retail Firms from 1959 to 1960, Summarized by Type of Store

Type of Store	Profits Before Taxes (Add 000)		Per Cent Change from 1959	Profits After Taxes (Add 000)		Per Cent Change from 1959
	1960	1959		1960	1959	
Apparel	$ 22,141	$ 24,557	— 9.8	$ 13,113	$ 14,594	—10.2
Department and Specialty	411,861	457,106	— 9.9	206,452	220,950	— 6.6
Drug	38,203	39,179	— 2.5	19,719	19,813	— 0.5
Food	419,101	409,139	+ 2.4	201,897	195,988	+ 2.1
Mail Order	446,122	497,045	—10.3	225,700	244,549	— 7.7
Shoe	27,734	29,177	— 5.0	13,726	15,371	—10.7
Variety	150,043	169,137	—11.3	86,648	92,818	— 6.7
Miscellaneous	43,749	49,544	—11.7	21,582	24,453	—11.7
All	$1,558,954	$1,674,884	— 6.9	$ 788,837	$ 828,536	— 4.1

$100 million in 1960. Seventeen retail organizations made the list this year. McCrory Corporation (as a result of a merger) and Marshall Field were added to the list, whereas S. H. Kress fell slightly short of the $100 million mark and thus was dropped from the list. Traditionally, Sears Roebuck and Montgomery Ward headed the list.

Tables VI and VII strengthen the evidence that 1960 was an unprofitable year for retailers. For example, Table VI shows that only four retail organizations had profits (before taxes) in excess of 9 per cent of sales. In the previous survey, eleven organizations made this list.

Table VIII shows retail organizations earning profits (before taxes) in excess of 30 per cent of their reported net worth. This table in the previous year had thirteen reporting organizations whereas in 1960 only eight firms had profits in excess of 30 per cent. The Winn Dixie food chain again headed the list with a reported 47.3 cents earned per each dollar of investment. The E. J. Korvette discount store moved into second place with earnings of about 39 cents on each dollar of investment. Interestingly, not one of the firms showing profits in excess of 9 per cent when related to sales (Table VI) can be found in Table VIII showing profits of over 30 per cent when measured as a percentage of net worth. Murphys, Gimbels, and W. T. Grant were three firms that did not qualify for Table IX reporting profits in excess of $20 million, though they made the list in the previous year. Jewel Tea Company was the only new addition to the list.

TABLE III

Profits, Before and After Taxes, as Percentages of Sales and of Net Worth of 116 Major United States Retail Firms from 1959 to 1960, Summarized by Type of Store

Type of Store	Profits Before Taxes				Profits After Taxes			
	Per Cent of Sales		Per Cent of Net Worth		Per Cent of Sales		Per Cent of Net Worth	
	1960	1959	1960	1959	1960	1959	1960	1959
Apparel	3.4	4.1	12.7	14.6	2.0	2.4	7.5	8.7
Department and Specialty	5.4	6.1	17.9	20.6	2.7	2.9	9.0	10.0
Drug	4.8	5.2	19.6	22.4	2.5	2.7	10.1	11.3
Food	2.6	2.7	25.7	26.8	1.3	1.3	12.4	12.9
Mail Order	7.7	8.9	20.1	23.5	3.9	4.4	10.2	11.6
Shoe	4.9	5.2	18.0	19.2	2.5	2.7	8.9	10.1
Variety	4.8	5.8	11.8	15.1	2.8	3.4	6.8	8.3
Miscellaneous	6.7	7.7	18.1	25.3	3.3	3.9	8.9	11.7
All	4.8	4.9	19.2	21.8	2.5	2.5	9.9	10.8

Conclusion

Retail profits during 1960 were down considerably from 1959, though sales increased among all classifications of retailers. There are indications that the department and specialty stores were hard hit by the recession. All stores within this group showed the lowest sales increase and a substantial drop in profits. Though the general business recession certainly contributed to the poor showing, questions arise also about the effect of discounting on department store sales volume and profit margins. When we eliminate the E. J. Korvette Company and Interstate Department store (a late entrant in the discount field) from the department and specialty group listings, we have a sales increase for this group that is less than the increase in the consumer price index.

The apparel group also offers the retail analyst an interesting field for speculation. Its sales increase may possibly be attributed to the entrance of several apparel chains into the discount field, but during the brief period of a year the effect on the profit picture is understandably cloudy. By next year, however, we should see it more clearly, particularly if comparison is made to the profit ratios of discount houses.

Among the food groups, A & P has had an excellent year whether measured by sales or profits. Though the firm added 25 stores to the chain in 1960, the profit growth of $5 million cannot be attributed solely to store openings. Without getting into a discussion of the qualitative aspects of the food chain management, a case can probably be made for the appeal of A & P's low price policies during a year of high unemployment and declining business activity.

TABLE IV

Retail Firms Studied with 1960 Sales in Excess of 500 Million Dollars

Firm	Type	Sales (Add 000) 1690	1959	Per Cent Change from 1959
1. Great Atlantic and Pacific	Food	$ 5,247	$ 5,048	+ 3.9
2. Sears Roebuck and Company	Mail Order	4,134	4,036	+ 2.5
3. Safeway Stores, Inc.	Food	2,469	2,383	+ 3.6
4. Kroger Company	Food	1,870	1,911	— 2.1
5. J. C. Penney Company	Department	1,469	1,438	+ 2.2
6. Montgomery Ward and Company, Inc.	Mail Order	1,249	1,223	+ 2.1
7. F. W. Woolworth	Variety	1,035	917	+12.9
8. American Stores	Food	889	875	+ 1.6
9. National Tea Company	Food	856	830	+ 3.1
10. Federated Department Stores	Department	785	760	+ 3.3
11. Food Fair Stores, Inc.	Food	771	734	+ 5.0
12. Winn Dixie	Food	722	666	+ 8.4
13. May Company	Department	685	684	+ 0.1
14. Allied Stores Corporation	Department	680	679	+ 0.1
15. Grand Union	Food	604	603	+ 0.2
16. First National Stores	Food	536	525	+ 2.1
17. W. T. Grant Company	Variety	513	480	+ 5.6
18. Jewel Tea Company	Food	509	461	+10.4
19. R. H. Macy and Company, Inc.	Department	509	472	+ 7.8
All		$25,532	$24,725	+ 3.3

TABLE V

Retail Firms Studied with 1960 Net Worth of 100 Million Dollars or More

Firm	Type	Net Worth (Millions) 1960	1959	Per Cent Change from 1959	Rates of Net Sales to Net Worth 1960	1959
1. Sears Roebuck and Company	Mail Order	$1,474	$1,383	+ 6.6	2.8	2.9
2. Montgomery Ward and Company, Inc.	Mail Order	640	646	— 0.9	2.0	1.9
3. Great Atlantic and Pacific	Food	486	453	+ 7.3	10.8	11.1
4. F. W. Woolworth	Variety	484	372	+30.1	2.1	2.5
5. J. C. Penney Company	Department	308	300	+ 2.7	4.8	4.8
6. May Department Stores, Inc.	Department	272	266	+ 2.2	2.5	2.6
7. Safeway Stores, Inc.	Food	267	251	+ 6.0	9.2	9.5
8. Federated Department Stores	Department	264	248	+ 6.5	3.0	3.1
9. S. S. Kresge Company	Variety	206	203	+ 1.5	2.0	2.0
10. Allied Stores Corporation	Department	189	186	+ 1.6	3.6	3.7
11. Kroger Company	Food	185	173	+ 6.9	10.1	11.1
12. W. T. Grant Company	Variety	137	134	+ 2.2	3.7	3.6
13. R. H. Macy and Company, Inc.	Department	114	107	+ 6.5	4.7	4.4
14. Gimbel Brothers, Inc.	Department	107	103	+ 3.9	3.8	3.9
15. American Stores	Food	107	101	+ 5.9	8.3	8.7
16. Marshall Field & Company	Department	101	98	+ 3.1	2.3	2.4
17. McCrory Corporation	Variety	101	72	+40.3	2.0	2.7
All		$5,442	$5,096	+ 6.8	4.2	4.4

TABLE VI

Retail Firms Studied with 1960 Profits Before Taxes in Excess of 9.0 Per Cent of Sales

Firm	*Type*	*Profits Before Taxes as Per Cent of Sales* 1960	1959
1. Hanover Stores	Shoe	15.3	15.6
2. Zale Jewelry Company, Inc.	Miscellaneous	11.1	11.2
3. Outlet Company	Department	9.7	10.8
4. Bullocks, Inc.	Department	9.2	9.2

TABLE VII

Total Sales of Firms Over and Under 500 Million Dollars

	Sales 1960 Dollars (Add 000,000)	Per Cent	*Sales 1959* Dollars (Add 000,000)	Per Cent
Over 500 Million in Sales	$25,532	72.8	$24,725	72.9
Less than 500 Million in Sales	9,551	27.2	9,212	27.1
All Stores	$35,083	100%	$33,937	100%

TABLE VIII

Retail Firms Studied with 1960 Profits Before Taxes in Excess of 30 Per Cent of Net Worth

Firm	*Type*	*Profits Before Taxes as a Per Cent of Net Worth* 1960	1959
1. Winn Dixie	Food	47.3	47.1
2. E. J. Korvette	Department	38.9	34.5
3. Spiegel, Inc.	Mail Order	35.9	40.7
4. Thorofare Markets	Food	34.9	32.3
5. Virginia Dare Stores Corporation	Apparel	34.8	43.8
6. Lucky Stores, Inc.	Food	31.6	33.1
7. Food Fair Stores, Inc.	Food	31.1	31.2
8. J. C. Penney Company	Department	30.9	36.4

TABLE IX

Retail Firms Studied with 1959 Profits Before Taxes in Excess of 20 Million Dollars

Firm	*Type*	*Profits Before Taxes (Millions)* 1960	1959	*Per Cent Change from 1959*
1. Sears Roebuck and Company	Mail Order	$ 370,086	$ 403,171	+ 8.2
2. Great Atlantic and Pacific	Food	123,212	108,496	+13.6
3. J. C. Penney Company	Department	95,379	109,474	—12.9
4. Safeway Stores, Inc.	Food	75,178	76,511	— 1.7
5. F. W. Woolworth	Variety	70,078	63,361	+10.6
6. Federated Department Stores	Department	68,419	69,633	— 1.7
7. Kroger Company	Food	48,218	54,138	—10.9
8. May Department Stores, Inc.	Department	44,395	47,371	— 8.4
9. Montgomery Ward and Company, Inc.	Mail Order	43,734	63,432	—31.0
10. Winn Dixie	Food	32,762	28,695	+14.2
11. Spiegel, Inc.	Mail Order	23,046	22,587	+ 2.0
12. Food Fair Stores, Inc.	Food	22,521	20,800	+ 8.3
13. S. S. Kresge Company	Variety	22,120	25,686	—13.9
14. Allied Stores Corporation	Department	21,788	28,087	—22.4
15. Jewel Tea Company	Food	20,209	17,659	+14.4
16. American Stores	Food	20,108	24,144	—16.7
All		$1,101,253	$1,163,245	— 5.3

TABLE X

Sales, Profits, and Net Worth of 116 Major United States Retail Firms for 1959 and 1960, Summarized by Type of Store

Apparel Chains	*Sales (Add 000)* 1960	1959	*Profits Before Taxes (Add 000)* 1960	1959	*Net Worth (Add 000)* 1960	1959	*Profits Before Taxes* *Per Cent of Sales* 1960	1959	*Profits Before Taxes* *Per Cent of Net Worth* 1960	1959
Bond Stores, Inc.	$ 85,063	$ 84,807	$ 4,882	$ 5,798	$ 55,004	$ 54,558	5.7	6.8	8.9	10.6
Diana Stores Corporation	50,803	39,043	1,574	2,007	8,717	8,444	3.1	5.2	18.1	23.8
Harzfeld's Inc.	11,484	11,470	425	389	3,325	3,246	3.7	3.3	12.8	12.0
Holly Stores, Inc.	16,205	15,277	338	161	2,364	2,102	2.1	1.1	14.3	7.7
Howard Stores Corporation	41,784	39,879	466	753	16,487	16,097	1.1	1.9	2.8	4.7
Lane Bryant	78,148	76,754	4,626	4,641	21,845	20,487	5.9	6.0	21.2	22.6
Lerner Stores Corporation	197,929	188,988	5,200	5,619	37,352	35,672	2.6	3.0	13.9	15.7
Lincoln Stores, Inc.	11,303	11,470	—62	—108	2,800	2,859	—.1	—.9	—2.2	—3.8
Mangel Stores Corporation	65,096	54,334	2,185	2,553	14,931	14,021	3.4	4.7	14.6	18.2
Miller-Wohl Company	43,487	42,335	673	1,046	6,766	6,761	1.5	2.5	9.9	15.5
Virginia Dare Stores Corporation	44.550	37,252	1,834	1,698	5,277	3,875	4.1	4.6	34.8	43.8
All	$ 645,852	$ 601,609	$ 22,141	$ 24,557	$ 174,868	$ 168,122	3.4	4.1	12.7	14.6
Department and Specialty Stores										
Allied Stores Corporation	$ 680,492	$ 679,488	$ 21,788	$ 28,087	$ 188,554	$ 185,716	3.3	4.1	11.6	15.1
Arnold Constable and Company	26,511	26,281	139	98	9,807	9,898	.1	.4	1.4	1.0
Associated Dry Goods	285,327	290,103	17,024	18,207	96,081	92,097	6.0	6.3	17.7	19.8
Ayres (L. S.) and Company	58,286	57,877	2,899	2,799	19,548	18,949	5.0	4.8	14.8	14.8
Best and Company	42,784	41,881	3,609	4,089	22,522	22,246	8.4	9.8	16.0	18.4
Broadway Hale Stores Inc.	183,470	179,750	10,652	12,625	59,467	48,604	5.8	7.0	17.9	25.9
Bullocks, Inc.	156,280	155,425	14,397	14,319	67,906	64,660	9.2	9.2	21.2	22.1
Carson, Pirie, Scott and Company	142,015	140,173	3,394	4,901	32,647	34,104	2.4	3.5	10.4	14.4
City Specialty Stores										
City Stores Company	262,504	274,633	349	5,654	63,168	62,294	.0	2.1	.1	9.1
Consolidated Dry Goods Company	11,892	11,812	369	329	5,221	5,272	3.1	2.8	7.1	6.2
Crowley Milner and Company	24,233	22,941	190	146	7,568	7,568	.1	.6	2.5	1.9
Davidson Brothers	73,556	75,451	1,490	973	16,268	15,680	2.0	1.3	9.2	6.2
DeJay Stores, Inc.	7,058	7,779	—193	—80	3,130	3,333	—2.7	—1.0	—6.2	—2.4
Emporium Capwell Company	114,635	108,672	10,082	9,598	50,842	47,811	8.8	8.8	19.8	20.1
Federated Department Stores	785,358	759,919	68,419	69,633	263,686	247,580	8.7	9.2	25.9	28.1
Genung's, Inc.	20,127	19,873	749	746	5,168	5,087	3.7	3.8	14.5	14.7
Gilchrist Company	24,432	22,910	191	52	4,487	4,378	.8	.2	4.3	1.2

	Sales (Add 000)		Profits Before Taxes (Add 000)		Net Worth (Add 000)		Profits Before Taxes Per Cent of Sales		Profits Before Taxes Per Cent of Net Worth	
	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959
Gimbel Brothers, Inc.	407,045	404,840	19,444	21,009	107,242	103,118	4.8	5.2	18.1	20.4
Goldblatt Brothers, Inc.	108,458	107,925	1,044	1,929	29,081	28,895	1.0	1.8	3.6	6.7
Grayson-Robinson Stores, Inc.	64,019	56,402	799	1,241	14,465	13,946	1.2	2.2	5.5	8.9
Halle Brothers	50,444	51,996	1,824	2,919	23,633	22,670	3.6	5.6	7.7	12.9
Higbee Company	52,848	52,760	3,103	3,750	23,554	22,759	5.9	7.1	13.2	16.5
Horne, Joseph & Company	72,740	66,185	3,225	3,065	27,438	26,344	4.4	4.6	11.8	11.6
Interstate Department Stores	114,311	90,316	2,375	2,315	18,918	17,051	2.1	2.6	12.6	13.6
J. B. Ivey and Company	22,908	23,530	1,228	1,678	11,831	11,660	5.4	7.1	10.4	14.4
Kobacker Stores, Inc.										
K. J. Korvette	157,507	114,886	5,599	3,897	14,393	11,281	3.6	3.4	38.9	34.5
Lyttons, Inc.	16,945	16,544	192	127	5,525	5,437	1.1	.8	3.5	2.3
R. H. Macy and Company, Inc.	508,695	471,842	18,171	16,200	113,936	106,844	3.6	3.4	15.9	15.2
Marshall Field and Company	234,201	234,339	17,881	18,437	101,441	98,430	7.6	7.9	17.6	18.7
May Department Stores, Inc.	684,839	683,964	44,395	47,371	272,401	265,869	6.5	6.9	16.3	17.8
Meier and Frank Company	60,180	57,191	1,401	3,411	27,908	27,891	2.3	6.0	5.0	12.2
Mercantile Stores Company, Inc.	170,247	167,800	9,213	9,895	52,880	50,654	5.4	5.9	17.4	19.5
Miller and Rhoads, Inc.	36,226	37,523	1,243	2,361	16,883	16,753	3.4	6.3	7.4	14.1
Nash (F. C.) and Company										
Neiman-Marcus	40,114	41,508	1,482	2,340	13,928	13,658	3.7	5.6	10.6	17.1
Outlet Company	16,264	16,081	1,575	1,731	10,459	10,281	9.7	10.8	15.1	16.8
Penn Traffic Company	11,053	10,865	619	696	5,584	5,453	5.6	6.4	11.1	12.8
Penney (J. C.) Company	1,468,918	1,437,589	95,379	109,474	308,319	300,369	6.5	7.6	30.9	36.4
Pogue (H & S) Company	26,640	26,523	965	1,523	12,757	12,576	3.6	5.7	7.6	12.1
Rhodes Western	45,516	46,070	2,411	3,202	15,324	14,787	5.3	7.0	15.7	21.6
Rich's, Inc.	92,726	92,511	7,639	7,745	37,086	34,353	8.2	8.4	20.6	22.5
Scruggs-Vandervoort-Barney	67,648	66,603	2,276	2,499	22,759	22,482	3.4	3.8	10.0	11.1
Stix, Baer and Fuller Company	60,859	61,494	3,551	4,019	25,914	24,599	5.8	6.5	13.7	16.3
Thalhimer Brothers	35,569	37,009	885	1,580	15,344	15,288	2.5	4.3	5.8	10.4
Weill Raphael and Company	20,942	19,404	—322	667	6,008	6,273	—1.5	3.4	—5.4	10.6
Woodward and Lothrop, Inc.	70,291	68,158	4,774	5,338	26,610	25,403	6.8	7.8	17.9	21.0
Younker Brothers	44,492	43,538	2,977	3,600	19,413	19,107	6.7	8.3	15.3	18.8
Z C M I	16,912	26,035	965	911	9,522	9,252	5.7	3.5	10.1	10.2
All	$ 7,638,507	$ 7,506,399	$411,861	$457,106	$2,306,626	$2,218,760	5.4	6.1	17.9	20.6
Drug Chains										
Cunningham Drug Stores, Inc.	55,395	54,815	2,197	2,435	20,102	19,557	4.0	4.5	10.9	12.4
Gray Drug Stores, Inc.	37,553	35,992	1,674	1,608	7,337	6,867	4.5	4.5	22.8	23.4
Katz Drug Company	52,575	50,849	1,730	2,145	10,215	10,044	3.3	4.2	16.9	21.4

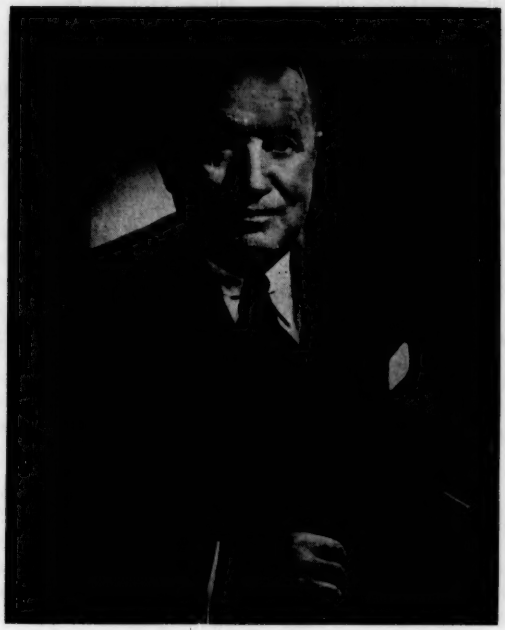
	Sales (Add 000)		Profits Before Taxes (Add 000)		Net Worth (Add 000)		Profits Before Taxes Per Cent of Sales		Profits Before Taxes Per Cent of Net Worth	
	1960	1959	1960	1959	1960	1959	1960	1959	1960	1959
People's Drug Company	93,185	85,709	2,993	4,449	23,815	23,603	3.2	5.2	12.6	18.8
Rexall Drug and Chemical Company	242,557	227,016	17,760	17,153	86,867	72,049	7.3	7.6	20.4	23.9
Sommers Drug Stores Company	8,369	8,029	228	287	1,645	1,645	2.7	4.8	13.9	17.4
Walgreen Company	312,365	285,079	11,621	11,102	45,213	41,366	3.7	3.9	25.7	26.8
All	$ 801,999	$ 747,489	$ 38,203	$ 39,179	$ 195,194	$ 175,131	4.8	5.2	19.6	22.4
Food Chains										
American Stores	889,452	874,767	20,108	24,144	107,140	101,096	2.3	2.8	18.8	23.9
Bohack (H. C.) and Company, Inc.	164,508	171,822	2,674	3,423	19,125	18,856	1.6	2.0	14.0	18.1
Colonial Stores	445,434	450,749	5,907	7,056	41,099	41,065	1.3	1.6	14.4	17.2
First National Stores	536,486	525,351	15,729	16,673	85,043	81,277	2.9	3.2	18.5	20.5
Food Fair Stores, Inc.	771,172	733,960	22,521	20,800	72,319	66,597	2.9	2.8	31.1	31.2
Food Mart, Inc.										
Grand Union Company	604,274	603,468	14,471	15,154	70,534	65,394	2.4	2.5	20.5	23.2
Great Atlantic and Pacific	5,246,578	5,048,574	123,212	108,496	485,973	453,430	2.3	2.1	25.4	24.0
Jewel Tea Company	509,145	460,589	20,209	17,659	70,793	61,931	4.0	3.8	28.6	28.6
Kroger Company	1,870,290	1,911,902	48,218	54,138	185,077	173,461	2.6	2.8	26.1	31.2
Lucky Stores, Inc.	190,071	178,690	5,992	5,948	18,961	17,985	3.2	3.3	31.6	33.1
National Tea Company	855,841	829,518	17,862	18,145	82,141	78,847	2.1	2.2	21.7	23.0
Penn Fruit	166,990	166,856	4,996	3,939	24,641	23,125	3.0	2.4	20.3	17.0
Red Owl Stores	274,592	226,589	5,015	4,851	20,214	18,247	1.8	2.1	24.8	26.6
Safeway Stores, Inc.	2,468,973	2,383,011	75,178	76,511	267,283	251,533	3.0	3.2	28.1	30.4
Thorofare Markets	122,703	110,687	4,247	3,507	12,163	10,854	3.5	3.2	34.9	32.3
Winn Dixie	721,532	666,370	32,762	28,695	69,249	60,906	4.5	4.3	47.3	47.1
All	$15,838,041	$15,342,903	$419,101	$409,139	$1,631,755	$1,524,604	2.6	2.7	25.7	26.8
Mail Order										
Alden's	126,210	114,682	7,741	5,862	33,720	26,634	6.1	5.1	23.0	22.0
Montgomery Ward and Company, Inc.	1,248,994	1,222,596	43,734	63,432	640,218	645,697	3.5	5.2	6.8	9.8
New Process	22,136	20,315	1,515	1,993	5,801	5,634	6.8	9.8	26.1	35.4
Sears, Roebuck and Company	4,134,320	4,036,153	370,086	403,171	1,473,805	1,362,562	9.0	10.0	25.1	29.2
Spiegel, Inc.	268,834	216,669	23,046	22,587	64,214	55,510	8.6	10.4	35.9	40.7
All	$ 5,800,485	$ 5,610,415	$446,122	$497,045	$2,217,758	$2,116,037	7.7	8.9	20.1	23.5
Shoe Chains										
A. S. Beck Shoe Corporation	76,867	79,244	592	1,092	11,885	11,583	.8	1.4	5.0	9.4
Edison Brothers Stores, Inc.	133,239	124,087	8,828	8,076	34,456	31,623	6.6	6.5	25.6	25.5

	Sales (Add 000) 1960	Sales (Add 000) 1959	Profits Before Taxes (Add 000) 1960	Profits Before Taxes (Add 000) 1959	Net Worth (Add 000) 1960	Net Worth (Add 000) 1959	Profits Before Taxes Per Cent of Sales 1960	Profits Before Taxes Per Cent of Sales 1959	Profits Before Taxes Per Cent of Net Worth 1960	Profits Before Taxes Per Cent of Net Worth 1959
Endicott Johnson Corporation	141,468	146,099	3,714	4,739	43,714	46,527	2.6	3.2	8.5	10.2
Hanover Shoes, Inc.	13,351	12,821	2,037	2,004	11,290	11,192	15.3	15.6	18.0	17.9
Melville Shoe Corporation	161,594	151,710	10,988	11,308	37,652	37,332	6.8	7.5	29.2	30.3
National Shoes, Inc.	28,103	27,027	986	1,269	8,807	8,193	3.5	4.7	11.2	15.5
Nunn-Bush Shoe Company	16,535	16,491	589	686	5,986	5,879	3.6	4.2	9.8	11.7
All	$ 571,157	$ 557,479	$ 27,734	$ 29,177	$ 153,790	$ 152,329	4.9	5.2	18.0	19.2
Variety Chains										
Fishman (M. H.) Company, Inc.	$ 20,423	$ 17,462	$ 473	$ 828	$ 5,288	$ 5,220	2.3	4.9	8.9	15.9
Grant (W. T.) Company	512,687	479,997	18,843	25,433	136,937	133,681	3.6	5.3	13.8	19.0
Green (H. L.) Stores Company, Inc.	128,150	133,326	2,083	3,925	45,287	46,461	1.6	2.9	4.6	8.5
Kresge (S. S.)Company	418,200	404,905	22,120	25,686	205,757	203,466	5.3	6.3	10.8	12.6
Kress (S. H.) and Company	144,572	154,422	1,078	3,529	98,704	102,565	.7	2.3	1.1	3.4
Lamston (M. H.), Inc.	8,353	8,255	423	436	1,909	1,768	5.1	5.3	22.2	24.7
McCrory Corporation	200,269	194,311	6,172	9,765	100,993	71,595	3.1	5.0	6.1	13.6
Murphy (G. C.) Company	245,562	238,839	15,820	20,194	83,963	81,495	6.4	8.5	18.8	24.8
Neisner Brothers, Inc.	73,492	69,730	316	1,055	17,340	17,635	.4	1.5	1.8	6.0
Newberry (J. J.) Company	265,818	238,008	9,390	11,243	78,118	71,250	3.5	4.7	12.0	15.8
Rose's 5, 10, and 25 Cent Stores	42,071	38,807	2,499	2,588	11,476	9,683	5.9	6.7	21.8	26.7
Webb's City, Inc.	29,726	29,573	748	824	4,798	4,518	2.5	2.8	15.6	18.2
Woolworth (F. W.)	1,035,293	916,837	70,078	63,361	484,148	372,424	6.8	6.9	14.5	17.0
All	$ 3,124,616	$ 2,924,022	$150,043	$169,137	$1,274,718	$1,121,761	4.8	8.0	11.8	15.1
Miscellaneous										
Barker Brothers, Inc.										
Black, Starr and Gorham, Inc.	3,401	3,540	—64	9	3,095	3,140	—1.9	.3	—2.1	.3
Federal Bake Shops, Inc.	7,622	7,703	351	597	3,771	3,752	4.6	7.8	9.3	15.9
Gamble-Skogmo, Inc.	143,369	143,123	9,001	12,945	63,000	50,127	6.3	9.0	14.2	25.8
Kay Jewelry Stores	27,565	24,365	1,009	1,641	11,970	11,773	3.7	6.7	8.4	13.9
Reliable Stores Corporation	27,534	27,518	1,663	1,843	15,841	15,704	6.0	6.7	10.5	11.7
Shattuck, Frank G. Company	66,897	61,650	2,183	2,204	22,007	21,526	3.3	3.6	9.9	10.2
Sterchi Brothers Stores, Inc.	16,946	18,467	1,339	1,820	9,188	9,158	7.9	9.9	14.6	19.9
Western Auto Supply Company	263,264	265,367	18,413	18,821	71,738	67,429	7.0	7.1	25.7	27.9
White, Stores, Inc.	54,177	52,936	4,138	5,004	16,672	15,414	7.6	9.5	24.8	32.5
Zale Jewelry Company, Inc.	51,606	41,645	5.716	4,660	24,729	22,380	11.1	11.2	23.1	20.8
All	$ 662,381	$ 646,314	$ 43,749	$ 49,544	$ 242,011	$ 209,803	6.6	7.7	18.1	23.6

The Honor Roll in Retailing at New York University

A Roster of America's Retailing Leaders

CHARLES M. EDWARDS, JR., and HELEN FAITH KEANE
Dean, New York University School of Retailing and Associate Professor of Retailing



Stanley C. Allyn

For more than thirty years the New York University School of Retailing has been honoring leaders in retailing from all parts of the country by conferring upon them honorary membership in the Alpha Chapter of the Eta Mu Pi Fraternity, the only fraternity of its kind in the field of retailing. Founded in 1922 in the New York University School of Retailing, Eta Mu Pi has grown into a national organization.

In keeping with the high standards to which it has adhered since its estab-

lishment, the Alpha Chapter grants honorary membership only to those who have made noteworthy contributions to the ethics, the science, and the practice of retailing.

When it awards honorary memberships to men and women of outstanding accomplishment in retailing, the Alpha Chapter presents to the recipients written citations that summarize some of the major facts about their achievements. In the belief that the careers of these distinguished merchants will prove interesting and inspiring to its readers, the JOURNAL OF RETAILING *publishes one or more of these citations in each issue. The purpose is twofold: (1) to call well-deserved, wider attention to the attainments of some of the foremost business leaders of our day, and (2) to provide a cumulative source of information about retailers for reference purposes.*

Chosen for recognition in this issue is:

Stanley C. Allyn

As Chairman of the Board of the National Cash Register Company, Stanley C. Allyn "rings up" America's retail sales. His interests parallel ours, yet go far beyond, as he launches computing and processing systems which orbit the globe.

In 1913, the young Wisconsin graduate who joined the National Cash Register Company could hardly have dreamed of the dramatic dimensions the future held for his firm or for his own career. He began as an accounting major; today he delves into chemistry, electronics, physics. If these terms have an intellectual, schoolroom flavor, we can understand why four universities have honored him with doctoral degrees.

To these academic honors, Mr. Allyn adds the titles of chairman, director, trustee, and president of a truly vast number of civic and cultural organizations, ranging from scholarship foundations to a historical society to a fine arts institute. He has a hand in several blue-chip economic enterprises, too.

The United States Government enlisted Mr. Allyn's extraordinary capacities by appointing him to head three different UNESCO delegations. In recognition of these and other international responsibilities, he holds the Presidential Certificate of Merit, the United States Navy's Award for Distinguished Public Service, the French Legion of Honor.

At the zenith of his career, Mr. Allyn still functions on the exciting frontiers of knowledge, where technological concepts are not merely advanced, but revolutionized. These vital achievements are representative of the protean man who heads them.

Stanley C. Allyn, we salute you as a national leader; we extend our gratitude for your selfless accomplishments in the public service; we humbly add to your other well-earned awards this recognition by retailing educators—honorary membership in the Alpha Chapter of the Eta Mu Pi Fraternity.

Retail Operating Ratios*

Departmental Merchandising and Operating Results of 1960. New York: Controllers' Congress, National Retail Merchants Association, 1961, xiv plus 207 pages, $9.75 to N.R.M.A. members, $14.75 to nonretailers, and $22.50 to retailers who are not N.R.M.A. members.

By almost any measure used, 1960 was a hard year for department stores. Sales inched upward by eight tenths of a percentage point, but a higher expense rate and an unchanged gross margin dropped net profit from merchandising operations to only 0.46 of one per cent of the typical department store.

Net gain after Federal Income Taxes came to a more respectable 2.3 per cent, but only after a powerful assist from "other inome," which amounted to 4.15 per cent. (This account includes the service charge income from credit sales.)

The 1961 edition of the annual study of *Departmental Merchandising and Operating Results* conducted by the Controllers' Congress of the National Retail Merchants Association is based on data from 372 companies operating 496 stores with upward of $4.7 billion in sales. It contains a special study on "The Unproductive Inventory Dollar," which may well hit at the basis of the department store problem and explain the steady erosion of net profit from merchandising operations that at 0.46 per cent in 1960 compared with 1.6 per cent in 1959 and the even more respectable figures of 2.6 per cent and 2.5 per cent as recently as 1954 and 1953.

This study shows that gross margin return per dollar of cost inventory declined in 1960 to $1.86, the lowest point since 1935, a depression year. In 1935 it was $2.15, contrasting sharply with such boom business years as 1945, 1946, and 1948, when it was respectively $3.08, $2.84, and $2.44.

Also of interest in the study is the spread in gross margin return per dollar of cost inventory between large and small stores. Department stores doing more than $50 million recorded a $2.17 return in gross margin per dollar of cost inventory as compared to $1.60 by department stores in the $1 million to $2 million category and $1.76 by department and specialty stores doing less than a million.

Similarly, basement departments reported a better performance than upstairs stores. They produced $2.20 of gross margin per dollar of inventory investment compared to only $1.90 in the upstairs departments.

Other symptoms of the decline in the productivity of invested capital that has characterized department store operation in recent years are to be found in the figures regularly reported by the annual study. For example, sales per square foot of selling space declined from $95 in 1951 to $85 in 1960. Similarly the number of stockturns declined to 3.8 in 1960 as compared to $3.95 in 1959. From 1952 through 1955 this figure had ranged between 4.3 and 4.1.

Another significant statistic. The number of transactions per square foot of selling space declined from 19 in 1959 to 17 in 1950. In 1951, 1952, and 1953 it had been 23.

So the evidence that a turnover slowdown may be at the root of department store profits problem is fairly extensive. This view is strengthened by the fact that initial markon (39.3 in 1960) and gross margin (36.4) have both gained ground over the past ten years, although the increase from the 1951 figures of 38.4 and 35.3 to the above 1960 figures have been small. Certainly they have proved insufficient to cope with the increase in expense

* Unless otherwise indicated, operating ratio reports were prepared by Herman Radolf.

rate from 33.2 to 35.95 over the same ten-year span.

There is also some slight evidence that the increase in "other income," which since 1955 has played a major role in repairing the profit position of department stores may also be in jeopardy. Last year the percentage of cash sales jumped to 49.5 from 37.0 the year before. This is the highest percentage of cash sales in the ten years since 1951 when the figure stood at 37.5 and compares with the previous high of 38.0 reached in three years, 1952, 1954, and 1958.

If this increase in the percentage of cash sales represents a reaction against the extension of service charges through such devices as "optional accounts," as well as from a tendency to increase service charge rates, then there would seem to be some danger that the drive to raise service charge income may be going too far and too fast.

Furthermore, if department stores can no longer count on gains in service charge income to make good the drop off of the profits from merchandising operations, it may well be that at long last they have no choice except to face up to the merchandising and operating problems that lie at the roots of their troubles and which are finding such dramatic expression in the rapid invasion of department store markets by underselling types of retailers.

Facts in Grocery Distribution, 28th Annual Survey. New York: *The Progressive Grocer,* 1961, 24 pages. 40 cents.

Grocery volume increased in 1960 by 4.5 per cent from the preceding year. Of this increase, only 1.3 per cent represented higher prices.

Independent stores, which accounted for 61 per cent of grocery volume in 1959 as in 1960, had a 4.2 per cent gain in sales as compared to a 5 per cent gain for the chains. The chains accounted for 39 per cent of total sales.

In an analysis of sales by size of organization, the twenty-eighth annual survey by *Progressive Grocer* found that single stores accounted for 46 per cent of the total volume and chains with 11 or more stores for 39 per cent. The middle segment, organizations with from two to ten stores, developed 15 per cent of total sales. This type of organization, says the *Progressive Grocer* report, has made considerable progress in recent years, and if present trends continue, will still further increase its share of the total food market.

Commenting on the strong growth trend in small chains and in independent supermarkets, the *Progressive Grocer* report said: "These operators are generally conceded to have the 'local touch,' a characteristic that is each year being increasingly cultivated by all kinds of retailers, chain and independent, large and small."

Nonfood sales in grocery stores rose 10 per cent to a total of $2.225 billion, or about 4 per cent of total United States grocery store volume.

The report mentions three approaches to combining nonfood and grocery sales: first, to devote about 8 to 10 per cent of total area to nonfoods and do about 5 per cent of total volume into these lines; second, to devote up to one third of total space to nonfoods and develop about 8 to 10 per cent of sales in general merchandise; and third, to incorporate a full-fledged supermarket in a full-scale discount house. *Progressive Grocer* says of the last-mentioned trend, "This store to end all stores has had its greatest development on the West Coast and is gradually spreading eastward. Few facts are as yet discernible regarding its national sales potential, population of trading area required per store, its performance in terms of sales, margins, costs, and profit. However, public acceptance of a large number of these retail outlets throughout the United States appears to be favorable. The basic problems, from the food retailer's point of view, is how many of these stores will the public support and to what extent can they pull food sales away from traditionl supermarkets."

Retail Hardware Survey. Indianapolis, Indiana: National Retail Hardware Associations, 1960, 12 pages.

Sales decreased in 1960 for the 921 retail hardware stores who supplied data for the 1960 *Retail Hardware Survey* of the National

Retail Hardware Association. At the same time expenses increased. So even though the stores experienced a small improvement in their margins of gross profit, their nets declined.

The expense ratio in 1960 came to 30.25 per cent of sales. This was the highest rate in thirty years. Similarly, the 31 per cent margin was the highest during this time span. Nevertheless, total profits of hardware stores as a per cent to sales have been declining steadily. Thus the rise in margins has been outdistanced by the rise in expense.

The Super Market Industry Speaks, 13th Annual Report by the Members of the Super Market Institute, Inc. Chicago, Illinois: Super Market Institute, Inc., 1961, 27 pages.

The gross margin rose but the net profit fell. This 1960 result occurred typically in the nine billion dollar segment of the grocery industry covered by the annual report of the Super Market Institute. The 343 companies reporting data operated 6,201 stores, and their sales comprised 38 per cent of all United States grocery store sales and 40 per cent of the industry's sales in Canada.

The net profit (before taxes) of 1.71 per cent of sales is the lowest yet recorded by the institute studies. It compares with 2.30 per cent last year and 2.20 per cent in 1958. Gross margin at 18.64 per cent of sales was at its highest point, as was the 17.12 operating expense ratio.

Contributing to this profit squeeze, no doubt, was the slowdown in rate of sales increase enjoyed by the industry. Reporting companies had an 8 per cent sales rise. Store for store, however, the increase amounted to a barely discernible .01 per cent. In 1959 the "old" stores had shown a 1 per cent gain, and in 1958 they had gained 1 per cent. This downtrend in per store gains has continued since 1951 with a few interruptions. The sales gain by companies has followed a similar trend. Thus in 1951 the typical company sales increase had amounted to 21 per cent and the typical increase on "old stores" had amounted to 9 per cent.

To the question, "Are you getting severe competition in your retail food operation from outlets that are not primarily food stores?" one out of every four companies said, "Yes." The supermarkets involved in such competition amounted to 8 per cent of the operating units. In most instances, this competition came from a discounter (34 per cent open door and 30 per cent closed door).

During 1960, however, the Super Market Institute gave increasing competition to other retailers. This was evidenced by the advance in nonfood sales from 5 to 5.4 per cent of the total. Significantly, this marked the first increase since 1956 from the 5 per cent level for this revealing statistic. Prior to that, nonfood sales had been creeping ahead steadily.

32nd Annual Business Survey of the National Association of Retail Clothiers and Furnishers, combined with Seventeenth Annual *Men's Wear Magazine* Survey of Operating Experience. Published as part of the 1961 fact issue of *Men's Wear Magazine.* New York: Fairchild Publications, Inc., 1961, 78 pages, 50 cents.

Men's wear stores had a sales gain in 1960, but it was small. It amounted to 0.3 per cent for those handling men's wear only and 1.0 per cent for those also handling women's wear.

This small sales increase proved insufficient to overcome the rising expense rate plus a small decrease in gross margin. The expense increase amounted to 0.8 per cent, raising the total expense to 32.6 per cent. The gross margin decline came to 0.3 per cent, bringing the final figure to 34.9 per cent.

As a result of these adverse developments, net profit in the 224 reporting stores decreased from 3.5 per cent of sales in 1959 to 2.8 per cent of sales in 1960. Most severe contraction came in those stores handling men's wear only, with a net profit drop from 3.4 to 2.6 per cent. Those stores which also handle women's wear managed to hold the profit dip to 0.6 per cent, or a decline from 3.8 per cent in 1959 to 3.2 per cent in 1960.

Book Notes*

Business Cycle Indicators, by Geoffrey H. Moore. (Volume I and II, "Contributions to the Analysis of Current Business Conditions.") Princeton: Princeton University Press, 1961, 757 pages. $12.50.

Though "labor economists" may not agree as to the National Bureau definition of the length and amplitude of a business cycle, nearly everybody will agree that these two volumes comprise a collection of the most important contributions to cycle theory.

Volume I contains a few chapters on new methods developed of indicating business conditions. The remaining chapters provide a generous sampling of some of the more important contributions of cycle theorists since 1950. A few of the older masterpieces are also reprinted. For example, there is the Mitchell & Burns 1938 contribution, "Statistical Indicators of Cyclical Revivals." This volume is divided into three parts, the first "Selection and Interpretation of Indicators," the second, "Cyclical Behavior of Types of Leading Indicators," and third, "Aids to the Current Use of Indicators." The last part points out the role electronics is now playing and will continue to play in helping the forecaster sort out the heretofore unmanageable data.

Volume II contains most of the statistical data used to support the theories in Volume I.

The National Bureau of Economic Research has been studying business cycles since 1920. All but 3 per cent of the hundreds of indicators analyzed have undergone cyclical movements. Since that time the "Bureau" has developed some techniques of determining the advent of a business recession and also has developed 21 indicators that show promise of helping the "working" economist estimate "where we are," and "where we are going."

These are many problems connected with the study and analysis of the business cycle. Among them are the lack of statistical information in the early months of a cyclical downturn or upturn. Many of the indicators are unavailable—except on a quarterly basis; even a monthly indicator can be crucially needed before becoming available. As a result of this situation a cycle theorist relies on preliminary estimates that can become doubly precarious. Another problem centers around the hundreds of series that are always difficult to sort out and compare against the previous year, previous month and need to be "deseasonalized." Electronics are probably going to be the answer to the latter problem. The first problem is not easily solved. The only way seems to narrow the field to a limited number of indicators. This Geoffrey H. Moore is attempting to do as have his eminent predecessors. In chapter seven he points out twenty-one statistical series that offer the promise of being reliable indicators of the future course of business.

Still another problem arises. It can be posed in this question—if eight of the indexes are rising, ten dropping, and the balance leveling off, what is happening to the economy? The bureau suggests the use of what it calls the "diffusion index." A diffusion index shows the percentage of indicators that are expanding at any one time. They take into consideration only the direction of the change, not the magnitude. In 1929-1933 recession 96 per cent of all indicators published by the National Bureau contracted!

Arthur F. Burns, writing for the National Bureau in 1950, concluded that retail sales are laggards when used as an indicator of business activity. This conclusion was based on prewar analysis of retail sales. Moore, writing in 1955, shifts retail sales from the "laggard" area to the "roughly coincident" with business activity where it stands today. Retail sales, though, seem a poor indicator of the severity of a decline.

* Unless otherwise noted, these book notes were prepared by Sallie Sewell.

The reader is bound to be impressed with the mass of cyclical information available in these two volumes. In order to discourage those who feel we have finally solved the analytical problem of measuring business activity through the use of statistical indexes, Moore concludes "History teaches that every business cycle can be different. . . . ."

Geoffrey H. Moore is associate director of research, National Bureau of Economic Research.

DAVID J. RACHMAN

The Capital Budgeting Decision, by Harold Bierman, Jr., and Seymour Smidt. New York: The Macmillan Company, 1960, 246 pages. $6.00.

The purpose of this book, in the words of the authors, is to present "a clear conception of how to evaluate investment proposals." The authors state that investment decisions may be adversely affected by management's inability to organize relevant information. They urge that the "present value method" is superior to other methods of evaluating the economic worth of investments.

After appraising six different measures of investment worth, they reject four and espouse two: 1. "net present value" and 2. "yield of an investment." Of these, "net present value" is preferred.

In the techniques of "net present value," present value ($100 payable in two years) refers to the "quantity of money necessary to invest today at compound interest in order to yield $100 in two years." In order to compute the "net present value," you perform four steps:

1. Choose an appropriate rate of interest.
2. Compute the present value of the cash proceeds expected from the investment.
3. Compute the present value of the cash outlay required by the investment.
4. Subtract step three from step two.

The remainder of the book is concerned with detailing steps in making an investment decision. For example, there is a chapter on "Classifying Investments" and an exploration of how one investment affects others.

Unlike many previous books and papers on capital budgeting, this one is neither too complex, too mathematical, nor too theoretical to be understood by the executive not specifically trained in finance, or relatively new at solving investment problems.

Both authors are associate professors at the Graduate Schools of Business and Public Administration at Cornell University.

DAVID J. RACHMAN

Changes in the Market Structure of Grocery Retailing, by Willard F. Mueller and Leon Garoian. Madison, Wisconsin: The University of Wisconsin Press, 1961, xv plus 215 pages. $6.00.

Little is known, even among food merchants themselves, about the internal structure of the grocery business, America's largest industry measured in terms of sales. Such is the underlying thesis of a study that provides a comprehensive analysis of changes in ownership patterns, sales, growth procedures, market concentration, and horizontal and vertical integration in grocery retailing from 1940 to 1958. The text material is supplemented with 77 statistical tables and charts which, in themselves, represent a sizable contribution to the reader seeking a detailed knowledge.

Research planning, funds, and personnel for the study were provided jointly by the Marketing Economics Research Division of the Agricultural Marketing Service, United States Department of Agriculture, and the University of Wisconsin.

Willard Mueller is an associate professor of agricultural economics at the University of Wisconsin. Leon Garoian is an associate professor of agricultural economics at Oregon State College.

THEODORE D. ELLSWORTH

Directory of Discount Houses and Self-Service Department Stores. Chicago, Illinois: National Research Bureau, Inc., 1961, 165 pages. $29.50.

This 1961 directory is a comprehensive and handy reference tool. It covers 1,100 dis-

count and self-service department stores currently in operation. It lists names, addresses, and principal items carried. There is both a geographical index and an alphabetical index by name of store.

Consumer Buying Behavior

(*Continued from page 31*)

the questions used could be, and probably are, different among salespeople, and certainly so between salespeople and consumers. In other words, there is always a nagging doubt that we are really comparing the same things. The words are the same, but the meanings become different and muted, depending upon the individual, his background of experience, etc.

Another problem that cannot be overlooked is that the consumer may have had different types of goods in mind when questioned. If some families thought of low-priced, frequently purchased food items, and others were thinking of high-priced, infrequently purchased durable goods, then convergence could not be expected. Obviously, "shopping around" has a different meaning if one consumer is thinking of stockings and another of an automobile. Salesmanship and price then would have entirely different connotations. However, there remains a remarkable degree of convergence between the responses of salespeople and consumers.

The study has revealed that the salesman still seems to be the important link in the movement of goods in the retail store, both from his point of view and that of the consumer. The consumer's view of the importance of the salesperson in the retail environment is largely independent of the income, education, or age level of the consumer.

Although the salesperson seems to be the *most important* "why?" when a sale is made or lost, it should be remembered that there is no single "why." Causation is multiple. Furthermore there is no single meaning to be placed on the other findings of the study. Meanings are also multiple. Lastly, there is no single recommendation in the findings. There are many alternative courses of action for the enlightened retail manager—one, of course, is self-evident!

Store Trading Areas

(*Continued from page 25*)

area boundaries tend to remain fixed. Changes occur mainly due to the impact of competition from new stores belonging to the same company. A radical change in transportation can also change the boundary.

By fixed boundaries, however, is not meant complete rigidity. Store trading area boundaries shift within a zone. In certain instances, these shifts take place within a weekly period; in other instances, they are seasonal.

The permanence of a store's trading area lasts only so long as the store carries out the same functions. If, for example, a store is replaced by the same type of store with improved merchandising facilities only, then the trading area will remain unchanged, although the market penetration will improve. Where the functions of a store change significantly, as reflected by changes in the merchandise mix and in service, then trading area boundaries will change.

(To be continued in a forthcoming issue.)